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STRATEGIC MARKET PERSPECTIVE

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# Impact of Business Reengineering on Outsourcing

Europe, 1994

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Outsourcing Programme—Europe





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# **Impact of Business Reenginerring on Outsourcing**

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# Abstract

Business reengineering has traditionally been regarded by vendors as a mechanism for gaining the high ground in major systems integration projects. Many of the leading vendors, including EDS, CSC, Cap Gemini Sogeti and IBM, have formed management consulting units to enhance their capabilities to win these projects. However, some organisations now require more than business re-engineering and systems integration skills from their suppliers. These organisations additionally require the vendor to take ongoing day-to-day management responsibility for their use of information technology, or even responsibility for an entire business process. Consequently, vendors now need to offer a combination of systems integration and outsourcing capabilities. Many of the large contracts requiring a combination of these skills have been initiated by a desire to re-engineer key business processes within the client.

This report analyses the relationship between business reengineering and outsourcing. In particular, it:

- Identifies senior executives' attitudes towards the concept of business reengineering
- Identifies their attitudes towards the role of information technology within business reengineering initiatives
- Analyses the role of IT outsourcing within business reengineering initiatives
- Analyses the difference in perspective between executives in organisations that have adopted IT outsourcing and those that have yet to do so.

Research by  
INPUT  
17 Hill Street  
London W1X 7FB  
United Kingdom

Published by  
INPUT  
1881 Landings Drive  
Mountain View, CA 94043-0848  
United States of America

## **Outsourcing Information Systems Programme — Europe**

### ***Impact of Business Reengineering on Outsourcing***

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# Table of Contents

<b>I</b>	<b>Introduction</b>	<b>I-1</b>
	A. Scope and Objectives	I-1
	B. Methodology	I-7
	C. Report Structure	I-7
	D. Related Reports	I-8
<b>II</b>	<b>Executive Overview</b>	<b>II-1</b>
	A. Role of IT Stimulated by Business Reengineering	II-1
	B. Technology is Back on the Agenda	II-2
	C. Reengineering and Outsourcing Have Synergistic Goals	II-5
	D. Vendors Must Improve Ability to Identify Process Improvements	II-6
<b>III</b>	<b>Business Reengineering Perceived to Deliver</b>	
	<b>Cost Savings</b>	<b>III-1</b>
	A. Executives Anticipate Improved Process Efficiency	III-1
	B. The Business Unit is the Primary Target for Reengineering	III-5
<b>IV</b>	<b>Executives Place Greatest Emphasis on Technical Skills</b>	<b>IV-1</b>
	A. Executives Want Improved Application of IT	IV-1
	B. Executives Require Strong Technical Capabilities	IV-5

- |    |   |       |
|----|---|-------|
| C. | Executives in France and Germany Want Combination of Technical and Reengineering Skills | IV-11 |
| D. | EDS Perceived to Have Strongest Business Reengineering Capability                       | IV-16 |
- 

V
---

## Outsourcing Assists Achievement of Business Process Improvements

- |    |  |     |
|----|--|-----|
|    |  | V-1 |
| A. | Reducing IT Expenditure AND Applying IT More Effectively             | V-1 |
| B. | Outsourcing Supports Business Reengineering                          | V-7 |
| C. | Outsourcing Clients Require Greater Functional Consulting Capability | V-9 |
- 

Appendix
----------

- |    |                                |     |
|----|--------------------------------|-----|
| A. | User Questionnaire             | A-1 |
| B. | Outsourcing User Questionnaire | B-1 |



# Exhibits

## I

- 1 Business Operations Outsourcing I-4
- 2 Information Systems (IS) Outsourcing Service Categories I-5
- 3 Outsourcing Service Components I-6

## II

- 1 IT Goals Outsourcing Clients and Non-clients II-2
- 2 Role of IT Within Business Reengineering II-4
- 3 Goals of Reengineering and Outsourcing II-5
- 4 Comparative Capabilities of IT Departments and Outsourcing Vendors II-6
- 5 Areas for Vendor Improvement II-7

## III

- 1 Perceived Benefits of Business Reengineering III-1
- 2 Perceived Benefits of Business Reengineering France III-3
- 3 Perceived Benefits of Business Reengineering Germany III-3
- 4 Perceived Benefits of Business Reengineering United Kingdom III-4
- 5 Additional Benefits of Business Reengineering III-5
- 6 Application of Business Reengineering Organisational Level III-6
- 7 Application of Business Reengineering by Country III-7
- 8 Business Reengineering Targets by Country III-8

## IV

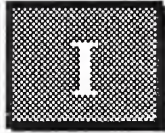
-1 Corporate IT Objectives	IV-1
-2 Ranking of Corporate IT Objectives by Country	IV-2
-3 Role of Information Technology within Business Reengineering Projects	IV-3
-4 Role of Information Technology by Country	IV-4
-5 Initial Stage of Involvement of External Vendor	IV-6
-6 Stage of Involvement of External Vendor by Country	IV-7
-7 Importance of Skills	IV-8
-8 Perceived Importance of Skills France	IV-9
-9 Perceived Importance of Skills Germany	IV-9
-10 Perceived Importance of Skills United Kingdom	IV-10
-11 Desirability of IT Supplier Combining Business Reengineering and Technical Skills	IV-11
-12 Capability of IT Departments to Support Reengineering Initiatives	IV-12
-13 Areas for Improvement	IV-13
-14 Detailed Capabilities of IT Departments Europe	IV-14
-15 Detailed Capabilities of IT Departments France	IV-14
-16 Detailed Capabilities of IT Departments Germany	IV-15
-17 Detailed Capabilities of IT Departments United Kingdom	IV-15
-18 Perceived Vendor Business Reengineering Capability Europe	IV-16
-19 Perceived Vendor Business Reengineering Capability France	IV-17
-20 Perceived Vendor Business Reengineering Capability Germany	IV-18
-21 Vendor Business Reengineering Capability U.K.	IV-19

V
---

- |  |      |
|--|------|
| -1 Corporate IT Objectives<br>Outsourcing Clients  | V-2  |
| -2 Corporate IT Objectives<br>Outsourcing Clients France   | V-3  |
| -3 Corporate IT Objectives<br>Outsourcing Clients Germany  | V-4  |
| -4 Corporate IT Objectives<br>Outsourcing Clients United Kingdom                                 | V-5  |
| -5 Contribution from IT Outsourcing  | V-6  |
| -6 Relationship Between Outsourcing and Business Re-<br>engineering                              | V-7  |
| -7 Role of Information Technology within Business<br>Reengineering Outsourcing Clients           | V-9  |
| -8 Vendor Skill Requirements<br>Outsourcing Clients  | V-10 |
| -9 Perceived Capability of Outsourcing Vendors   | V-11 |
| -10 Perceived Capability of Outsourcing Vendors to Support<br>Business Reengineering Initiatives | V-12 |



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# Introduction

## A

### Scope and Objectives

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Outsourcing and business reengineering are very fashionable topics within Europe at present. Recently, several very large outsourcing contracts won by CSC, Perot Systems and EDS have been primarily concerned with new application development to support improved business processes rather than reducing the running costs of the IT infrastructure. At the same time, many of the major outsourcing vendors are expanding their management consulting groups to generate growing proportions of their future revenues from contracts with a strong emphasis on business reengineering.

However, senior executives' attitudes towards the relationship between business reengineering and outsourcing remains largely unknown. Accordingly this report investigates this relationship. Its objectives are:

- To identify European senior executives' attitudes towards the concept of business reengineering
- To identify their attitudes towards the role of information technology in business reengineering
- To identify the role of the IT supplier in supporting business reengineering projects and the importance of a range of potential vendor capabilities
- To identify the extent to which IT outsourcing is perceived to be supportive of business reengineering

- To identify the role of outsourcing within business reengineering initiatives.
- To identify the differences in perspective between executives in organisations that have already adopted IT outsourcing and executives belonging to organisations that have yet to do so.

Business reengineering is defined as: *A means of achieving radical improvement in business performance and competitiveness through a re-evaluation and re-design of core business processes.* As such, it should not be confused with techniques such as Total Quality Management (TQM) which tend to be more evolutionary in their nature.

Outsourcing is defined by INPUT as follows.

Outsourcing is a long-term relationship (greater than one year) between a client and vendor in which the client delegates all, or a major portion, of an operation or function to the vendor. The operation or function may be solely Information Systems Outsourcing-based, or merely include Information Systems Outsourcing as a prominent component of the operation (at least 30% of the budget).

The critical components defining an outsourcing service are:

- Delegating an identifiable area of the operation to a vendor.
- Single vendor responsibility for performing that delegated function.
- Intended, long-term relationship between the client and vendor.
- Contract term is at least one year.
- Client's intent is not to perform this function with internal resources.
- The contract may include non-Information Systems Outsourcing activities, but Information Systems Outsourcing must be an integral part of the contract.



- Outsourcing is a collection of services integrated under a single, long-term contract with one vendor responsible for its operation and management.

*Business Operations Outsourcing* (also known as, Business Outsourcing or Functional Outsourcing) is a relationship in which one vendor is responsible for performing an entire business/operations function including the Information Systems Outsourcing that support it. The Information Systems Outsourcing content of such a contract must be at least 30% of the total annual expenditure in order for INPUT to include it in the Business Operations Outsourcing market.

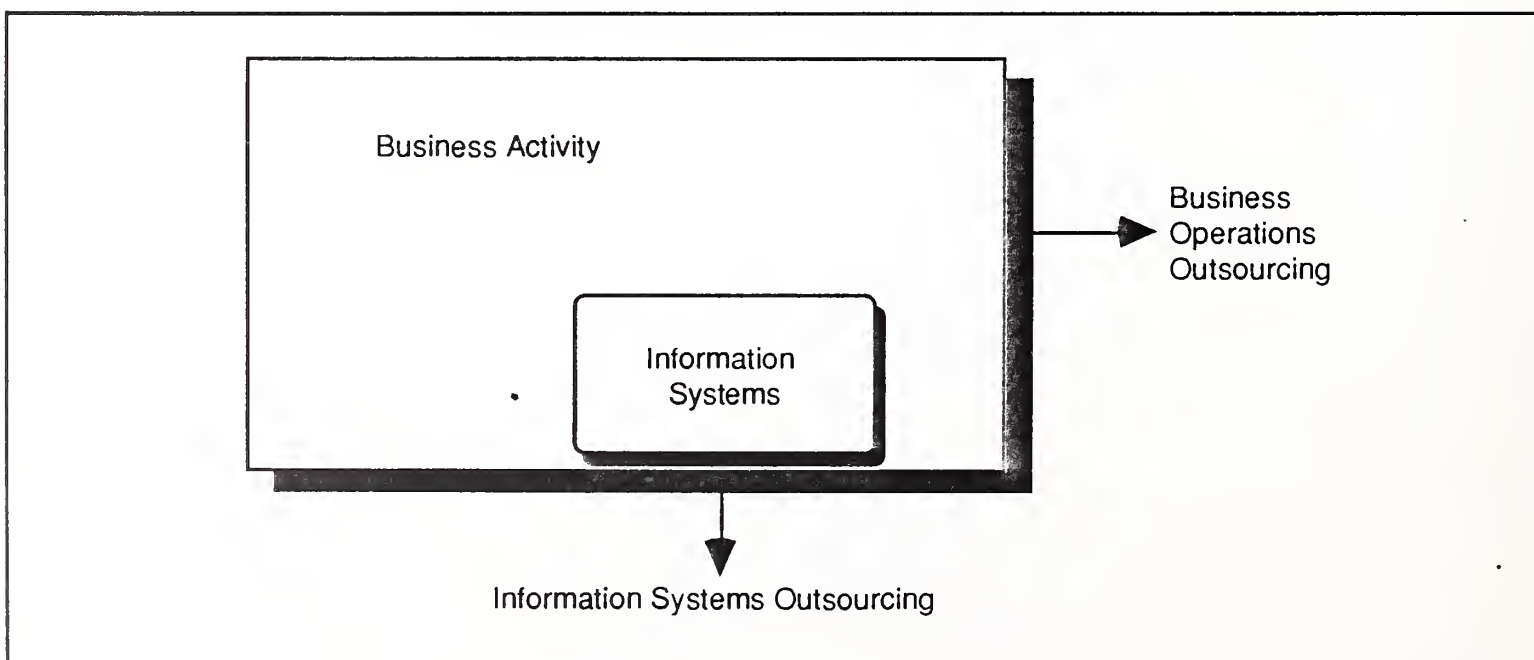
*Information Systems (IS) Outsourcing* can be viewed as a component of the Business Operations Outsourcing market (i.e., Information Systems Outsourcing is a business/operations function, see Exhibit I-1). However, in order to delineate between outsourcing contracts that are solely IS versus those that include IS as well as other functions, IS Outsourcing will be segregated from Business Operations Outsourcing. Information systems Outsourcing is divided into four service components as shown in Exhibit I-2.

- *Systems Operations* outsourcing describes a relationship in which a vendor is responsible for managing and operating a client's "computer system"/data centre (*Platform Systems Operations*) or developing and/or maintaining a client's application as well as performing Platform Operations for those applications (*Applications Systems Operations*).
- *Desktop Services* is a relationship in which a vendor assumes responsibility for the deployment, maintenance and connectivity of personal computer, workstations, client/server and LAN systems in the client organisation. to be considered as Desktop Services outsourcing, a contract must include a significant number of the individual services listed below.
  - Software Product Supply
  - Equipment Supply
  - Equipment/Software Installation
  - Equipment Maintenance

- LAN Installation and Expansion
  - LAN Management
  - Network Interface Management
  - Client/Server Support
  - Logistics Management
  - User Support
  - Help Desk Functions
  - User Training and Education
- *Network Management* outsourcing is a relationship in which a vendor assumes full responsibility for operating and managing the client's data telecommunications systems. This may also include the voice, image and video telecommunications components.
  - *Application Management* is a relationship in which the vendor has full responsibility for developing and maintaining all of the application or function.

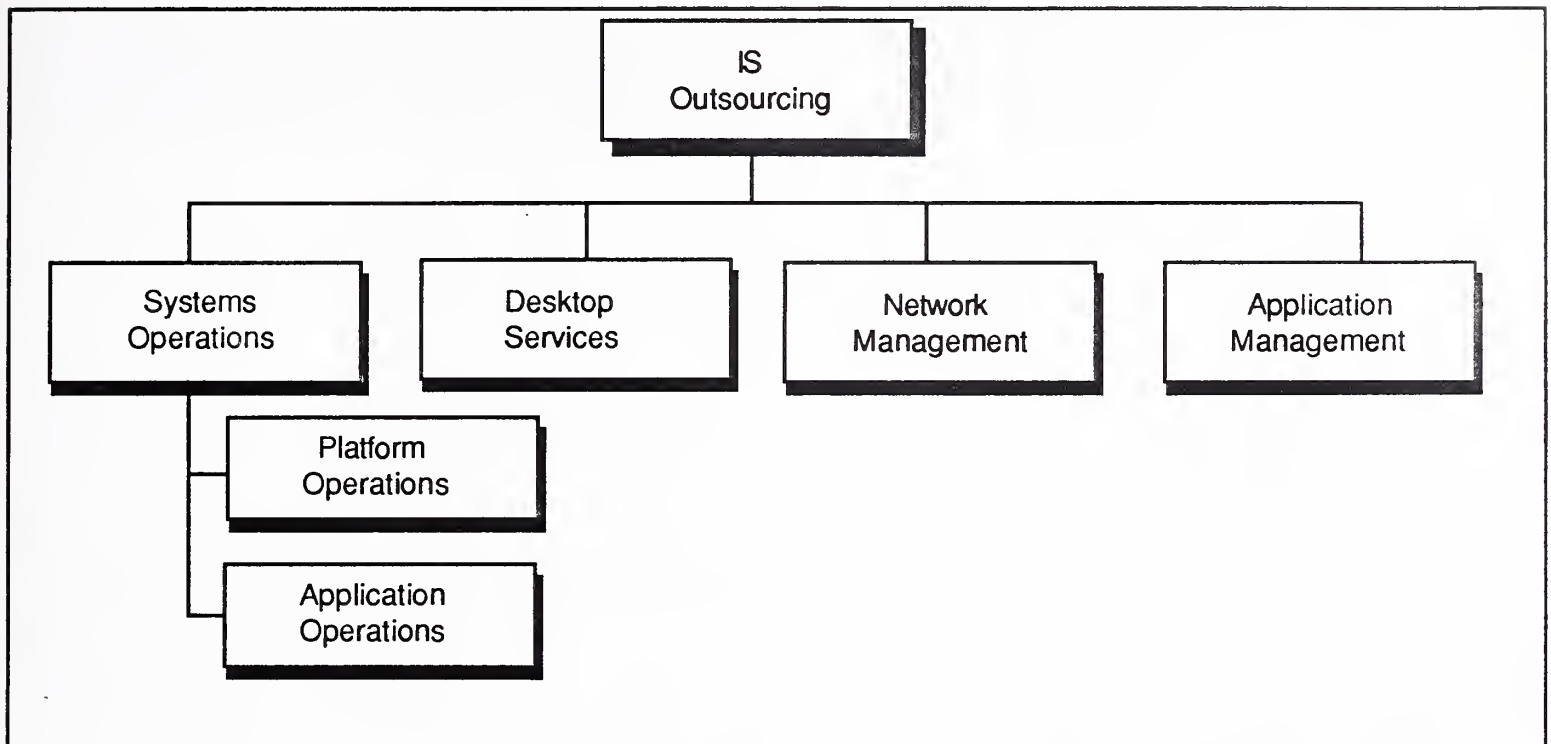
Exhibit I-1

### Business Operations Outsourcing



Source: INPUT

Exhibit I-2

**Information Systems (IS) Outsourcing Service Categories***Source: INPUT*

The above definitions focus on the services covered in the outsourcing contract. For example, an Application Operations contract can include all facets of Information Systems Outsourcing (platform operations, desktop services, network and application management). The key to INPUT's market definition is the service contract. If a customer only wants to outsource the network management outsourcing. If an airline, for example, wishes to outsource their reservation operation which includes not only the network, but also its infrastructure, applications and the people running the operation, this is a Business Operations Outsourcing contract. Exhibit I-3 shows the service components that may be included in each outsourcing service category.



Exhibit I-3

**Outsourcing Service Components**

<b>Component</b>	<b>Plat. Ops.</b>	<b>Appl. Ops.</b>	<b>Desktop Services</b>	<b>Net. Mgt.</b>	<b>Appl. Mgt.</b>	<b>Bus. Ops.</b>
Project/Contract Management	X	X	X	X	X	X
Data Centre Management	X	X				X
Client Server Opposition	X	X	X			X
Equipment Maintenance	X	X	X			X
System Software Maintenance	X	X	X	X		X
Application Software Maintenance		X	X		X	X
Application Development		X			X	X
LAN Management		X	X	X		X
WAN/MAN Manangement		X		X		X
Transaction Processing Services		X				X
Other Professional Services		X	X		X	
Business Process Operations						X

*Source: INPUT*

The largest, most visible contracts awarded over the past year have been typically Application Operation outsourcing contracts since they, at least, included management of the infrastructure (data centres and various computing platforms) and the support of some of the legacy applications. In the past, most Application and Platform Operation outsourcing contracts included network management but recent contracts have also included desktop services.

What is not included in INPUT's world of outsourcing are the following:

- Project based services are not considered as part of outsourcing. Thus, Systems Integration and application development projects are not included.

- Ongoing services such as equipment maintenance and software product that cannot realistically be performed internally. Maintenance only services do not constitute an outsourcing function by themselves. However, responsibility for hardware and software maintenance is inherent in most outsourcing contracts.
- Processing services contracts of less than one year.
- Voice-only network management.
- Business operations with minimal information systems content. The outsourcing of the marketing communication function to an outside agency is not covered by INPUT's analysis. A function or business operation must at least have 30% of its budget attributed to information technology to be included.

## B

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### Methodology

This report is based on interviews with 90 senior business executives in Europe. Thirty of these executives belong to organisations that already outsource elements of their IT function. The remaining 60 belong to organisations that have yet to adopt IT outsourcing. These interviews were equally divided between France, Germany and the U.K..

The interview sample was split into these two groups to enable comparisons of the attitudes of executives in each of these categories to be made.

## C

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### Report Structure

Section II consists of the Executive Overview which is a summary of the key data in the report.

Section III analyses executives' views on business reengineering. In particular, executives' perceptions of the benefits of reengineering are discussed.

Section IV analyses the attitudes of executives within organisations that do not use IT outsourcing. It considers:

- Their overall IT objectives
- The role of IT within business reengineering
- The role of the IT supplier
- Their attitudes towards outsourcing and vendors' business reengineering capabilities

Section V analyses the perceptions of executives within organisations that have already adopted IT outsourcing. In particular, it investigates their view of the relationship between outsourcing and business reengineering, and the desirability of outsourcing vendors offering technical and business reengineering services.

## D

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### Related Reports

*Outsourcing Opportunities in Government-Europe, 1993-1998*

*Client Satisfaction with IT Outsourcing Services-Europe, 1993*

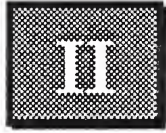
*Business Operations Outsourcing-Europe, 1993*

*Desktop Services Outsourcing-Europe, 1994*

*Information Systems Outsourcing Market—Europe, 1994-1999*

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## Executive Overview

### A

#### Role of IT Stimulated by Business Reengineering

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During the 1980s, many senior executives became disillusioned with the contribution that information technology was making to their business. In spite of the large sums of money spent, IT appeared to do little to enhance the competitive standing of organisations, and was frequently inflexible and slow to change acting as a barrier to organisations endeavouring to respond to their changing business environment. A typical response to these problems was for senior executives to become more involved in steering the use of IT within their organisations, coupled with the imposition of considerable budgetary constraints on the IT department.

However, recent research conducted at MIT suggests that this perspective is now out of date. INPUT research indicates that the emergence of client/server architecture and the concept of business reengineering are now acting as major stimuli to the use of information technology. In particular, there is a major opportunity for outsourcing vendors to become more involved in business reengineering, since:

- Technology is back on the agenda
- Reengineering and outsourcing have synergistic goals.

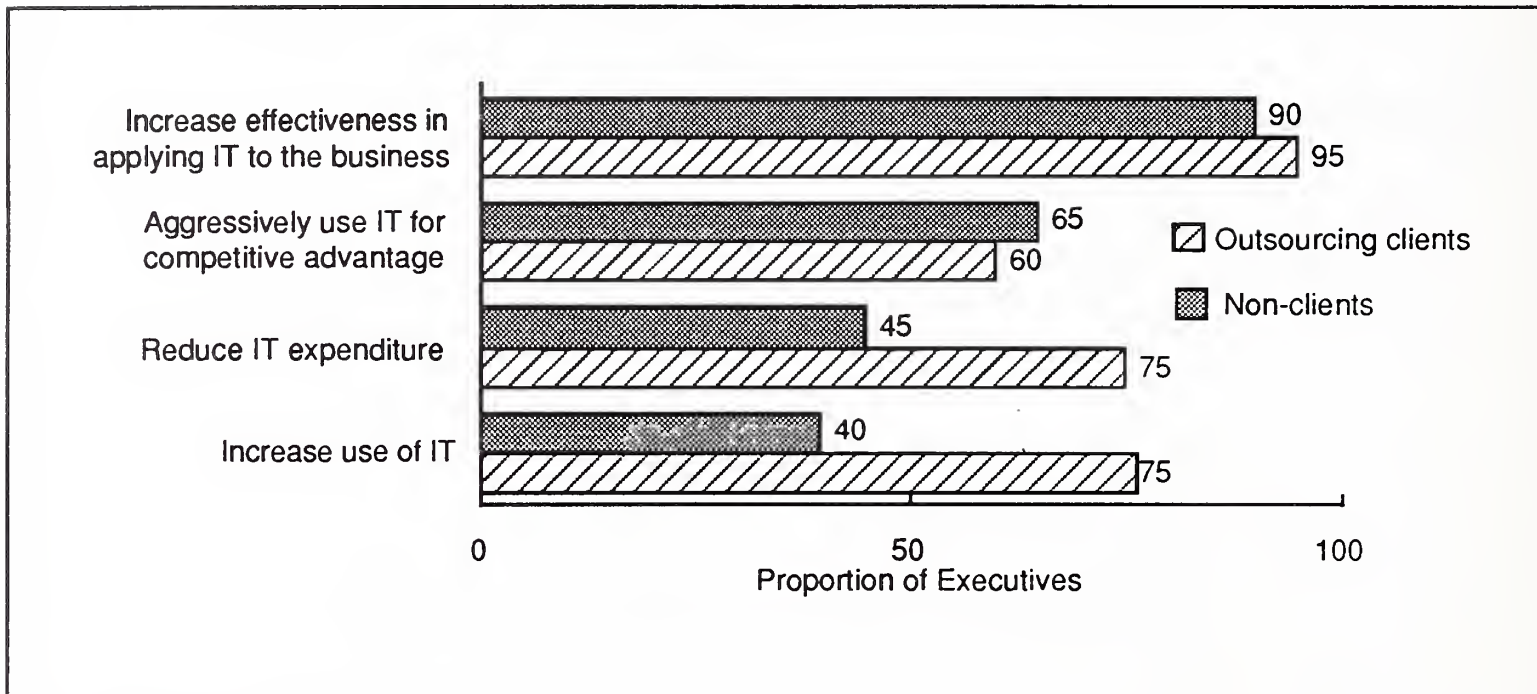
However, in order to take advantage of this opportunity vendors need to become more pro-active, develop their commercial skills and significantly improve their ability to identify process improvements

## B

**Technology is Back on the Agenda**

Exhibit II-1 contrasts the typical IT goals of executives within organisations that have already adopted IT outsourcing and those within organisations that have not yet done so.

Exhibit II-1

**IT Goals Outsourcing Clients and Non-clients**

Sample of 30 outsourcing clients and 60 non-clients. Standard error = 10%.  
Proportion of executives giving a score of 4 or 5.

Source: INPUT

During much of the 1980s, information technology was viewed by many senior executives in Europe as a necessary, technical evil. Information technology was seen as necessary to support business procedures, but viewed as a supporting tool which made little contribution to the development of the business. In particular, executives were reluctant to adopt leading edge technology, preferring other organisations to take the risks of innovating with new products and techniques. However, there are signs that European executives are now prepared to be more aggressive in their use of IT, and are more prepared to recognise the potential of information technology to assist pro-actively in the re-engineering of key business processes. Recent research from MIT supports this approach. A survey of Fortune 500 companies between 1987 and 1991 identified an average 67% return after depreciation on investments in information technology, and

revealed benefits such as improved quality and customer service, greater product variety, and speed.

The majority of executives now strongly agree that information technology should be used aggressively to obtain a competitive advantage for their organisations. This view is equally shared by executives within organisations that have already adopted IT outsourcing and those within organisations that have not yet done so. It is also held by a high proportion of executives in each of France, Germany, and the U.K.. However, German executives expressed a higher commitment to using information technology for competitive advantage than their counterparts in France and the U.K.. Many executives in France remain highly concerned with the need to reduce their level of IT expenditure.

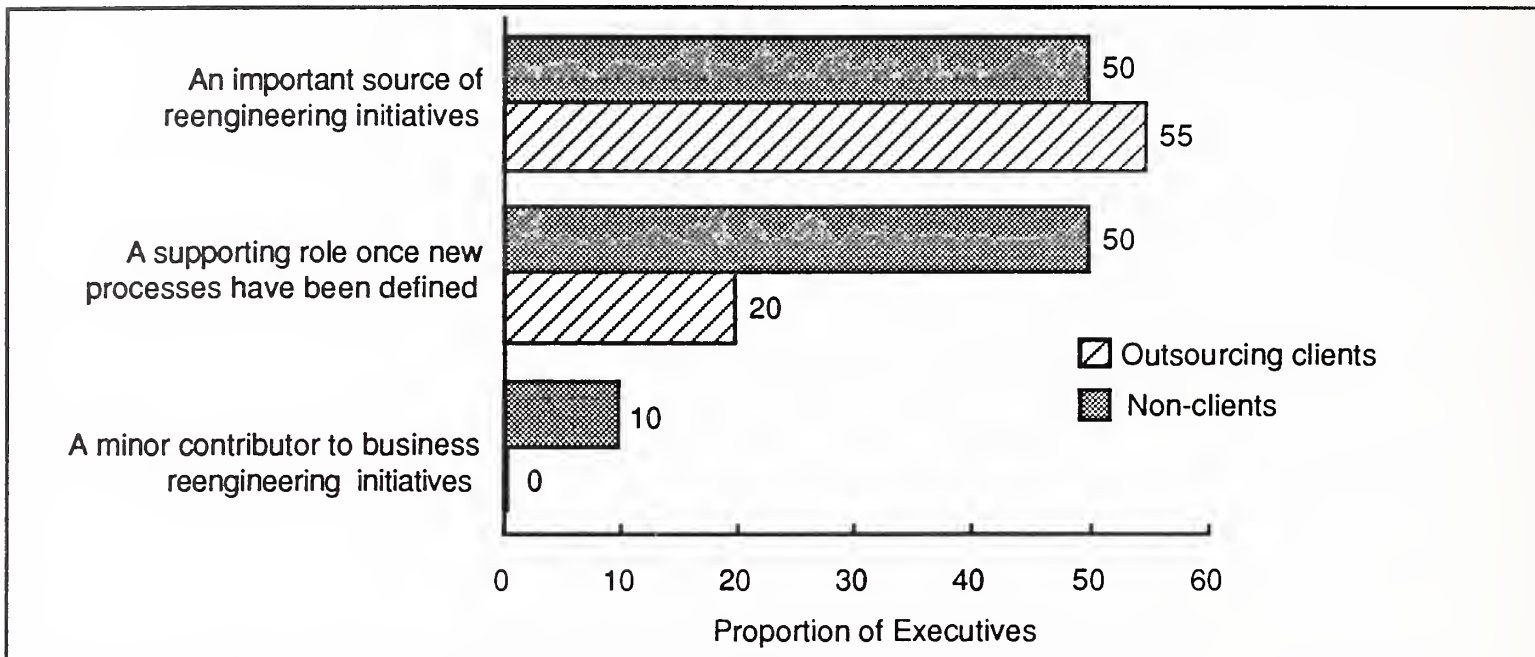
Organisations that have adopted IT outsourcing have often been characterised as being more concerned with cost reduction than with improving their use of information technology. However, from the results shown in Exhibit II-1, it can be seen that organisations that have adopted IT outsourcing are equally enthusiastic about aggressively using IT for competitive advantage compared to other organisations, and are more likely than their counterparts to increase their use of information technology. The characteristic that distinguishes outsourcing clients from other organisations is not a desire to lessen the role of IT within their organisations, but a combined need to use IT more effectively while simultaneously reducing their IT expenditure.

Exhibit II-2 contrasts the attitudes of executives within organisations that have already adopted IT outsourcing and those within organisations that have not yet done so towards the role of information technology within business reengineering.



Exhibit II-2

### Role of IT Within Business Reengineering



Sample of 30 outsourcing clients and 60 non-clients. Standard error = 10%.  
Proportion of executives giving a score of 4 or 5.

Source: INPUT

Indeed executives within organisations that have already adopted outsourcing tend to regard information technology as more important within the business reengineering process than their counterparts in organisations that have not adopted IT outsourcing. None of the executives interviewed within organisations that have already adopted IT outsourcing strongly regarded information technology as being only a minor contributor to business reengineering. Similarly, a much smaller proportion of executives within companies that have outsourced regard information technology as playing merely a supporting role once new processes have been defined.

However, amongst the companies that have yet to adopt IT outsourcing, there are significant national differences in attitude towards the role of IT. The majority of executives in these organisations in France and Germany strongly perceive information technology to be an important source of reengineering initiatives. On the other hand, the majority of executives in the U.K. primarily perceive IT to perform a subordinate role once new business processes have been defined.

**C****Reengineering and Outsourcing Have Synergistic Goals**

The concepts of IT outsourcing and business reengineering are perceived to have a strong cultural compatibility, and to share a number of common themes. Exhibit II-3 lists some of the objectives shared by the concepts of IT outsourcing and business reengineering.

Exhibit II-3

**Goals of Reengineering and Outsourcing**

- Cost saving
- Improved core business focus
- Target labour-intensive activities
- Increased flexibility

The prime benefit executives anticipate from business reengineering initiatives is improved process efficiency or cost savings. The same applies to IT outsourcing.

However, executives do not typically view outsourcing as directly supportive of re-engineering, for example by providing improved process knowledge or access to leading-edge technology. Instead they typically regard outsourcing as indirectly supportive of re-engineering. One of the major ways in which outsourcing is seen to support business reengineering is by freeing management resources to concentrate on re-engineering initiatives. In a similar manner, IT outsourcing is often viewed as freeing IT management resources to refocus on new systems development and more strategic application of IT to the business.

Key targets for business operations outsourcing and re-engineering are labour-intensive activities. Indeed, one of the outcomes from a business reengineering exercise will often be a decision to outsource a number of activities, where the organisation is unable to match the performance of external vendors.

IT outsourcing is also considered to create an environment in which business reengineering is more likely to succeed by removing one of the major impediments to change and by demonstrating the practicality of outsourcing an in-house service to the remainder of the organisation.

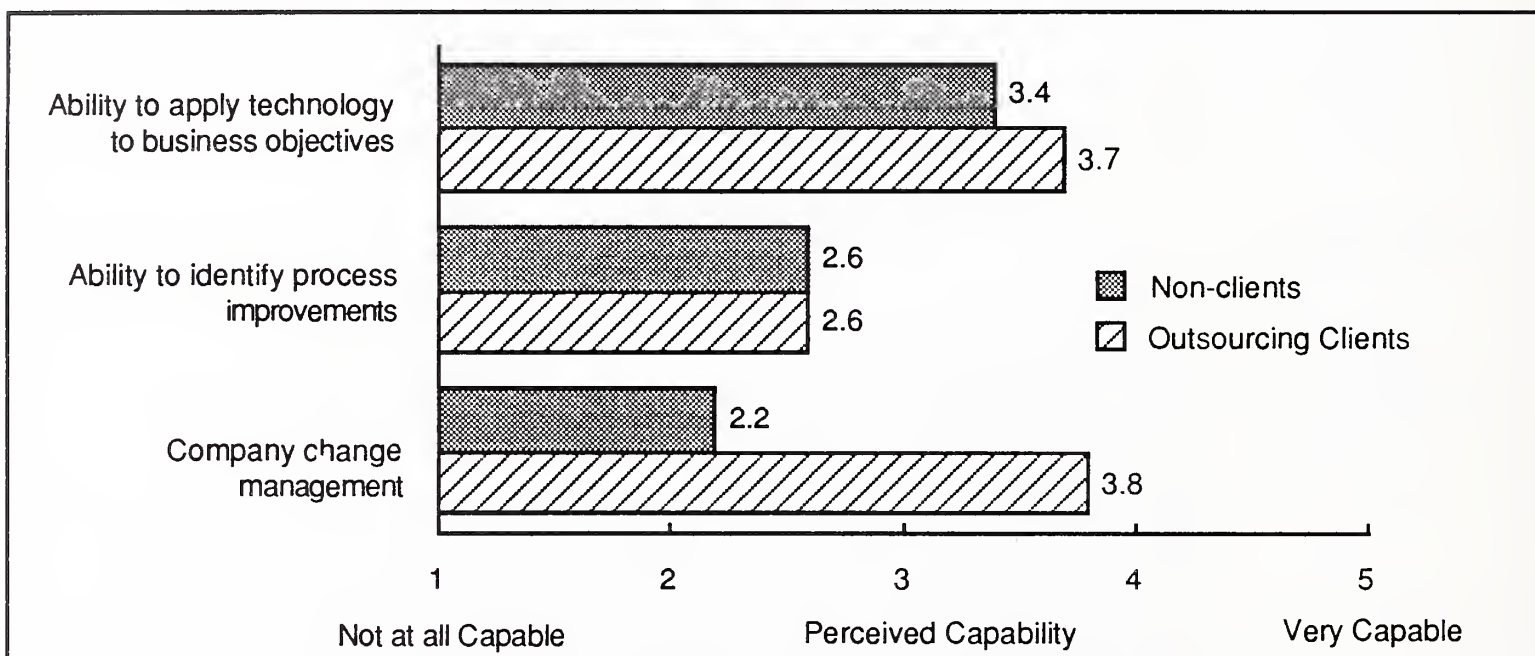
## D

### Vendors Must Improve Ability to Identify Process Improvements

Exhibit II-4 compares executives' perceptions of the capabilities of their IT departments and outsourcing vendors.

Exhibit II-4

#### Comparative Capabilities of IT Departments and Outsourcing Vendors



Sample of 30 outsourcing users and 60 non-users. Standard error=0.2

Source: INPUT

Overall, the performance of in-house IT departments and outsourcing vendors is perceived to very similar. Both organisations are perceived to have similar levels of capability to apply technology to business objectives. Approximately 45% of executives' perceived each to possess a high level of capability here. The ratings of each group were also virtually identical in terms of their:

- Technical capability
- Understanding of the latest technologies



- Business understanding.

However, there is scope for vendor improvement in terms of business understanding. Only 45% of executives within organisations that have already adopted IT outsourcing perceive their outsourcing vendor to have a high level of understanding of their business. Indeed if outsourcing vendors are to make a significant contribution to their clients' future use of IT, then they must take action to improve their ability to identify process improvements. In the customer satisfaction study conducted in 1993, a number of executives reported that their outsourcing vendor provided only a reactive service, and suggested that outsourcing vendors take a more pro-active approach. Vendors need to be able to identify business process improvements for their clients if they are to meet this need for a more pro-active service. At present, fewer than 10% of the executives interviewed perceive that their outsourcing vendor has a strong ability to identify process improvements.

The one area where outsourcing vendors significantly outscore in-house IT departments is in their change management capability. However, this may relate less to their ability to bring about business process change and more to their ability to transfer equipment between datacentres and phase out legacy systems.

Exhibit II-5 lists the principal areas where executives perceived outsourcing vendors could improve their support for business reengineering initiatives.

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Exhibit II-5

#### Areas for Vendor Improvement

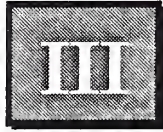
- Improve flexibility
- Improve commercial perspective
- Remove IT bias

While outsourcing is perceived to be complementary to business reengineering, only 50% of the executives interviewed perceived their outsourcing vendor to be well qualified to support business



reengineering initiatives. In particular, executives were concerned about the restrictive nature of many outsourcing contracts. Instead of freeing clients to re-engineer their organisations, executives perceived that these contracts could severely restrict their ability to change to more appropriate forms of IT support for their business. Vendors, like their IT department counterparts, are viewed as being committed to restrictive IT policies and a limited range of operating environments.

Executives are also concerned about the level of re-engineering capability possessed by outsourcing vendors, their tendency to view all organisational issues from an IT perspective, and their vested interest in developing the client's use of IT. Vendors have to considerably enhance their capabilities before they will be generally accepted for their commercial consulting skills.



## Business Reengineering Perceived to Deliver Cost Savings

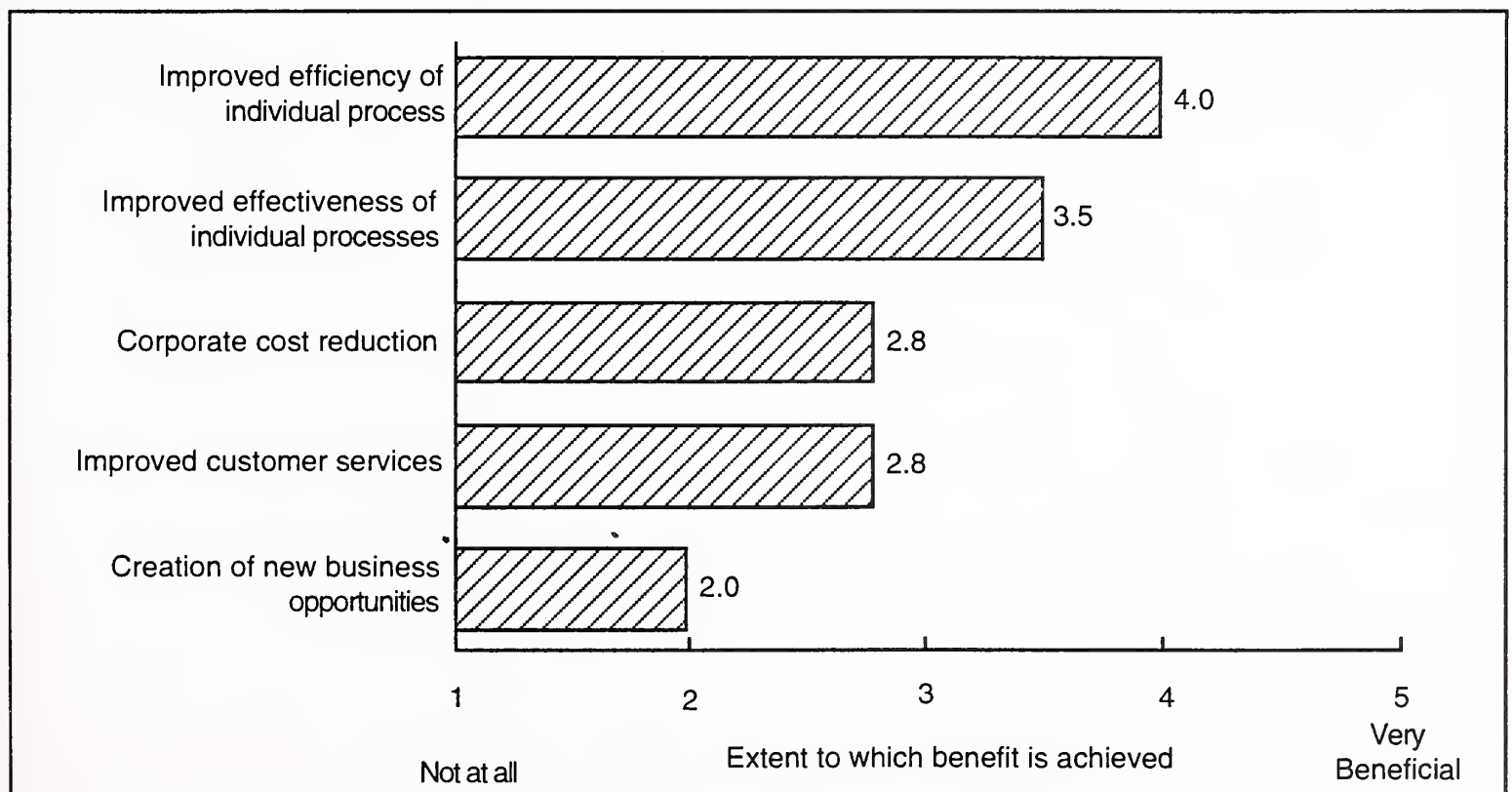
**A**

### Executives Anticipate Improved Process Efficiency

Exhibit III-1 shows the extent to which senior executives perceive that business reengineering can deliver each of a number of potential benefits.

Exhibit III-1

#### Perceived Benefits of Business Reengineering



Sample of 60 respondents. Standard error = 0.15

Source: INPUT

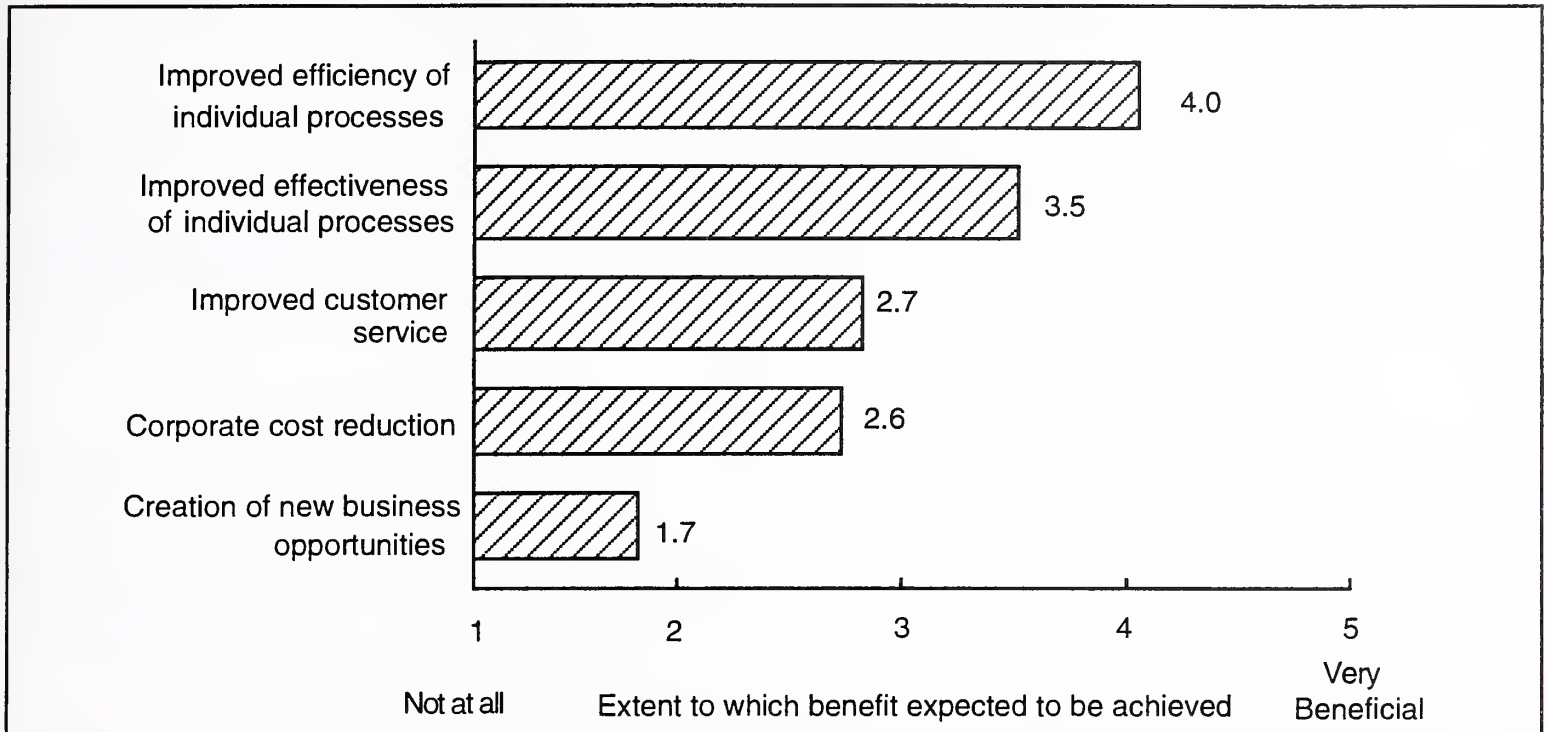
Business reengineering is often discussed in terms of shortening value chains, reducing new product development and customer lead times, and improving customer service.

However, European executives have a predominantly introspective attitude towards business reengineering. Business reengineering is primarily viewed by European executives as a means of achieving increased efficiency through cost savings. A strong desire to reduce the number of personnel employed in key business processes, and hence process cost, is particularly evident.

Much less emphasis was placed on the ability of business reengineering to improve customer service, or assist in the development of new products or services. Seventy per cent of the European executives interviewed expected business reengineering to make a major contribution to improving the efficiency of individual business processes. However, only 30% of the same respondents expected business reengineering to make a major contribution to improving customer service, and only 15% anticipated a major contribution to the creation of new business opportunities.

Exhibits III-2 to III-4 show the extent to which senior executives in each of France, Germany and the U.K. perceive that business reengineering can deliver each of these potential benefits.

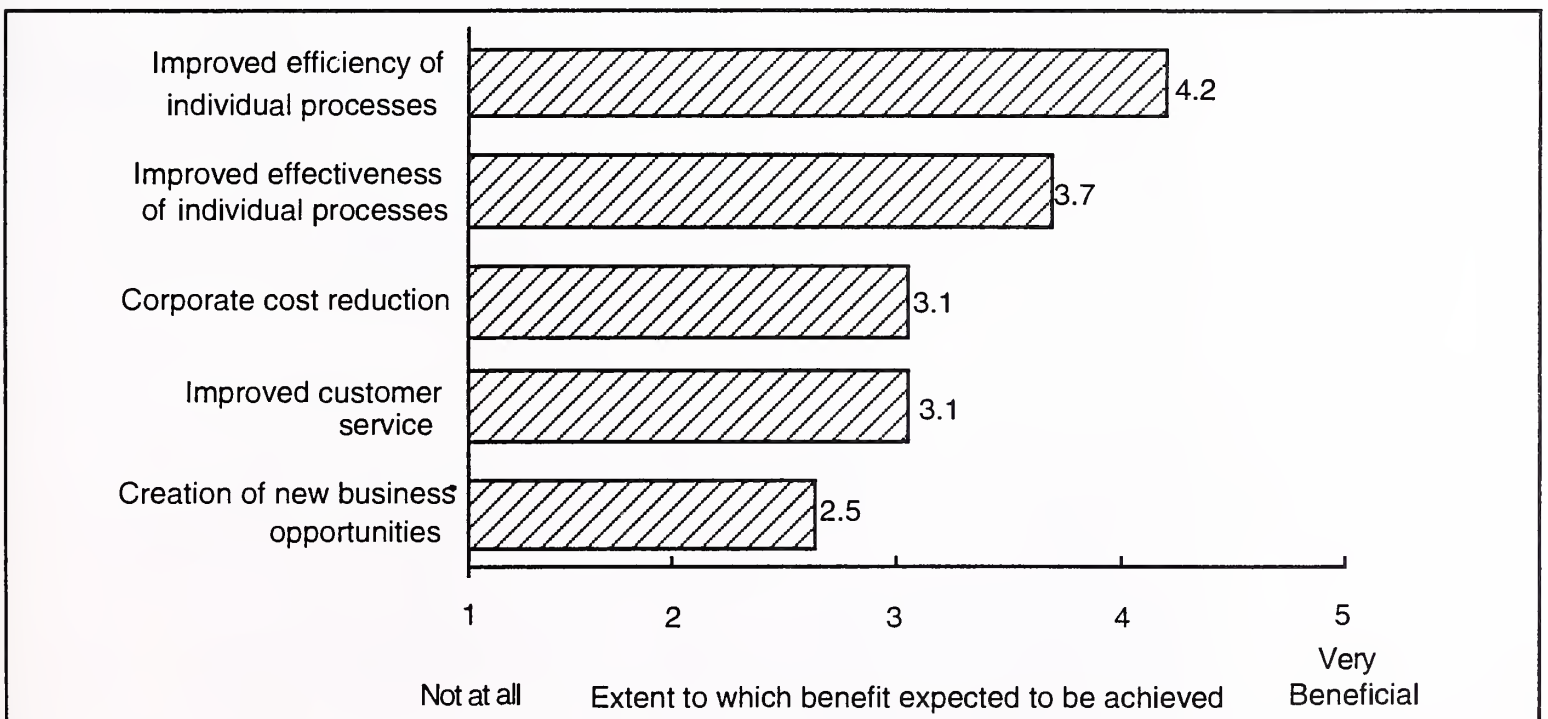
Exhibit III-2

**Perceived Benefits of Business Reengineering: France**

Sample of 20 respondents. Standard error =0.25

Source: INPUT

Exhibit III-3

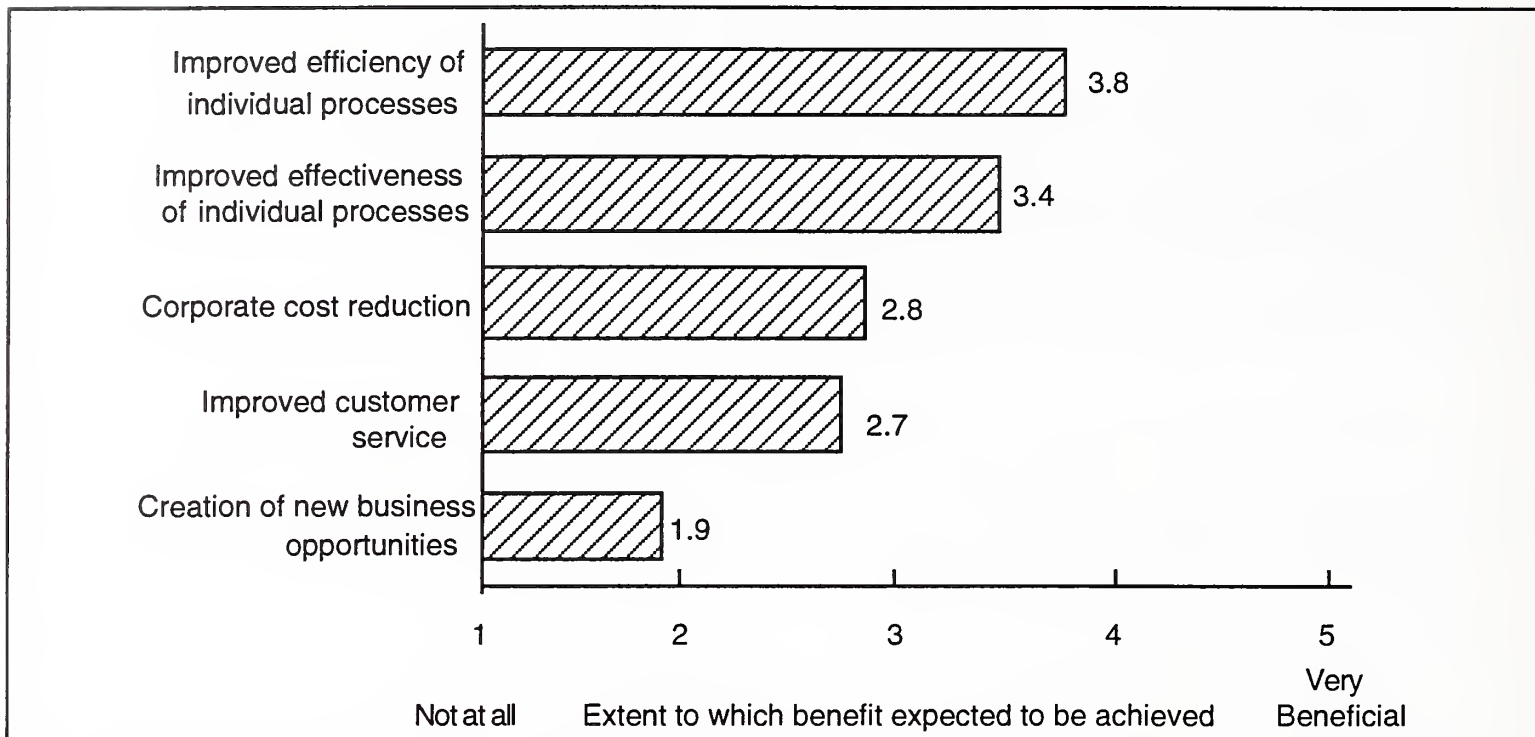
**Perceived Benefits of Business Reengineering: Germany**

Sample of 20 respondents. Standard error =0.25

Source: INPUT



Exhibit III-4

**Perceived Benefits of Business Reengineering: United Kingdom**

Sample of 20 respondents. Standard error = 0.25

Source: INPUT

Overall, there is a high level of awareness of the concept of business reengineering in Europe, though some executives in France expressed a lack of detailed knowledge of the subject and are waiting for business reengineering to become a proven methodology. The most positive attitudes towards business reengineering were expressed by executives in Germany who regard business reengineering as an opportunity to eliminate outdated business practices. German executives also displayed a greater tendency to view business reengineering as a vehicle for improving customer service and creating new business opportunities.

The principle of business reengineering is universally acknowledged to be a good one though doubts were sometimes expressed regarding the feasibility of translating the principle into practice. In the U.K., there is a greater tendency to confuse business reengineering with continuous improvement programmes. The possible expense of conducting business reengineering was considered to be an inhibitor by a small number of executives.

The most frequently mentioned benefit of business reengineering in all three countries is cost reduction. However other benefits were mentioned by executives and these are summarised by country in Exhibit III-5.

Exhibit III-5

### Additional Benefits of Business Reengineering

France	Germany	United Kingdom
Time savings	Reduced company hierarchy	Speeding up manufacturing process
Improved communication	More up-to-date manufacturing processes	Reduction in lead times
Reduced supply chain	Greater flexibility	Improved flow of information
Greater flexibility	Improved interaction with customers	

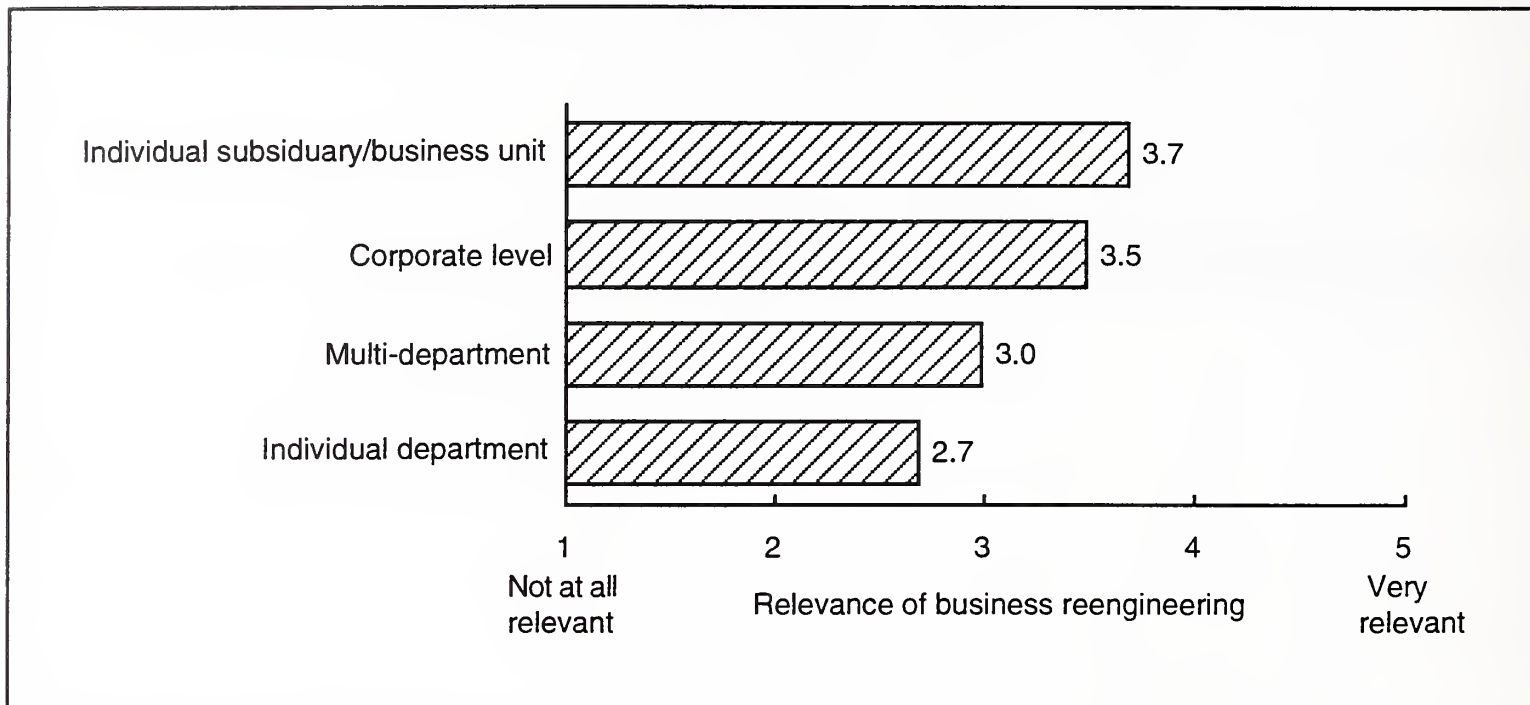
In France, there is an emphasis on speeding up business processes, while, in Germany, the major concern is the need to restructure organisations to achieve more flexible working practices.

## B

### The Business Unit is the Primary Target for Reengineering

Exhibit III-6 shows senior executives' views on the appropriateness of applying business reengineering at a selection of organisational levels.

Exhibit III-6

**Application of Business Reengineering: Organisational Level**

Sample of 60 respondents. Standard error = 0.2

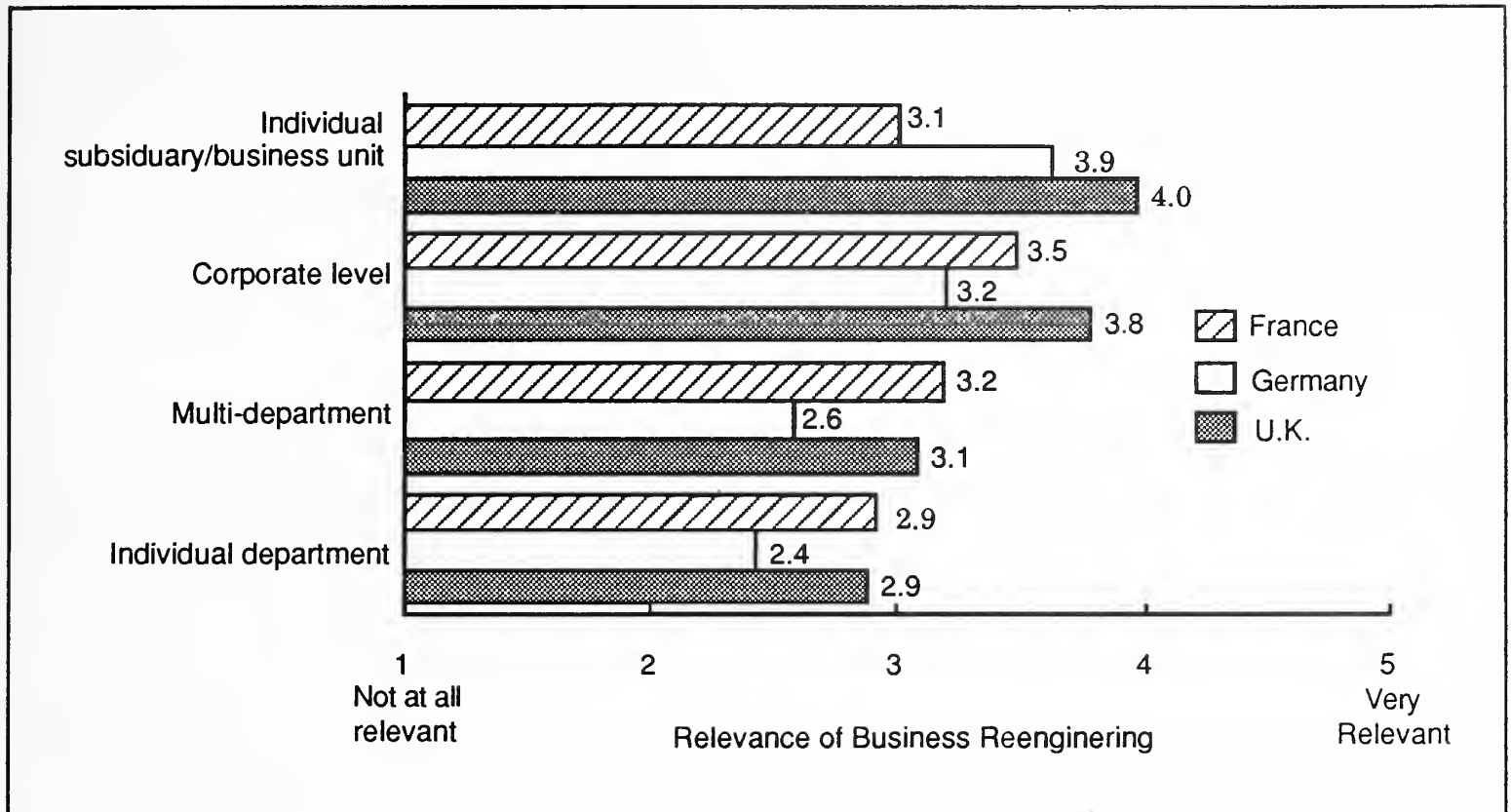
Source: INPUT

Executives perceive that business reengineering is most applicable when applied across multiple business processes at the individual subsidiary or business unit level within the organisation. Executives perceive that business reengineering should be applied throughout their organisation, but that it should be applied to business units individually rather than collectively.

Exhibit II-7 provides a breakdown of executive attitudes by country.

Exhibit III-7

## Application of Business Reengineering by Country



Sample of 60 respondents. Standard error = 0.3

Source: INPUT

Executives in France are particularly enthusiastic about maintaining consistency of application of business reengineering throughout their organisations, and so tend to view business reengineering as being applied at a corporate rather than business unit level.

Exhibit III-8 lists by country the areas where executives perceive business reengineering to be most usefully applied.



Exhibit III-8

**Business Reengineering Targets by Country**

<b>France</b>	<b>Germany</b>	<b>United Kingdom</b>
Key activities first	Manufacturing shop-floor	Manufacturing shop-floor
Labour-intensive areas	Customer-related functions	Processes with high labour content
Manufacturing shop-floor	Labour-intensive areas	Areas with low margins

*Source: INPUT*

A consistent theme is that business reengineering should be applied to business processes with a high labour content, for example the manufacturing shop-floor. Processes that had a major impact on inventory levels were also regarded as initial targets for business reengineering.

**IV**

## Executives Place Greatest Emphasis on Technical Skills

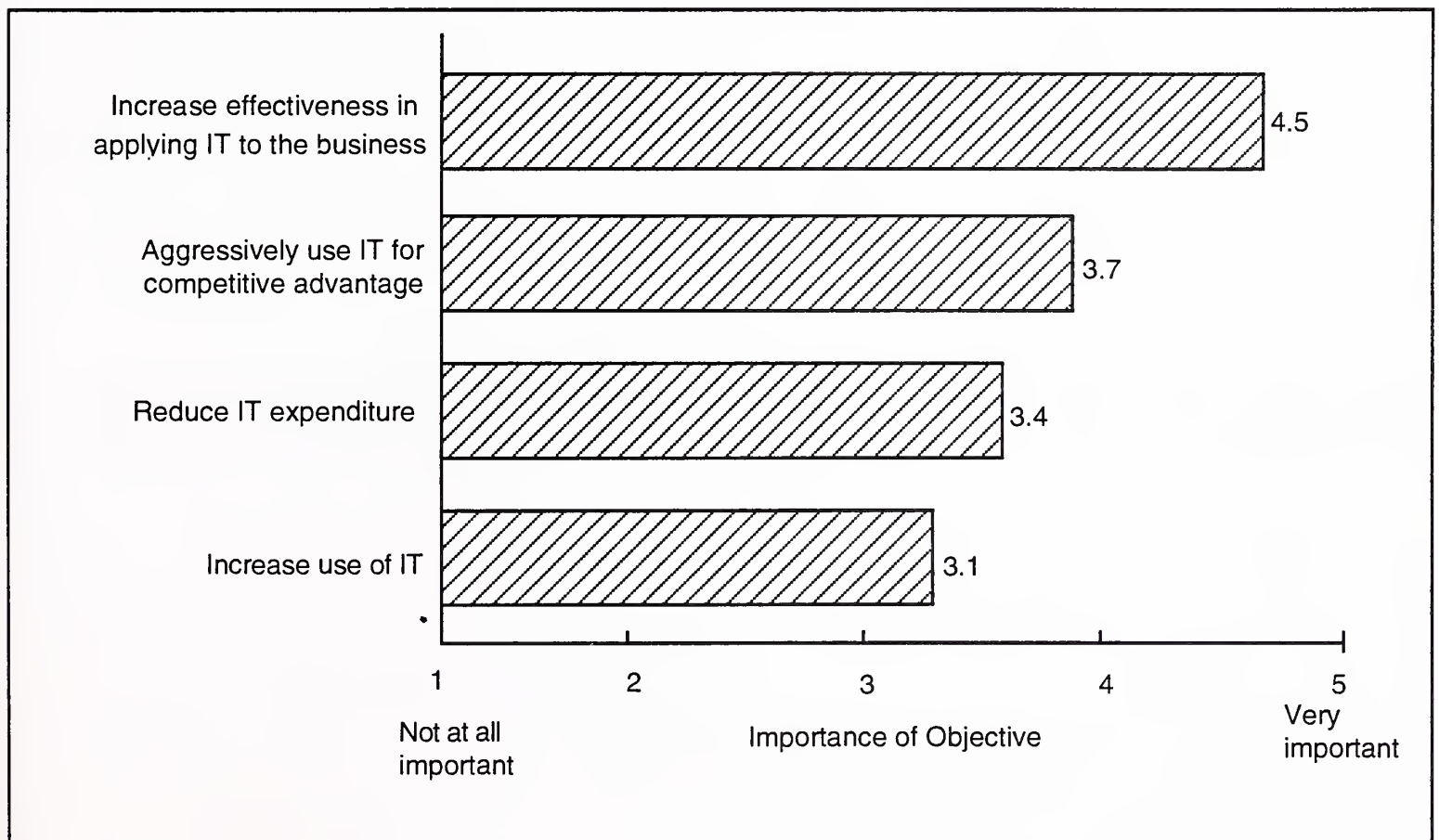
**A**

### Executives Want Improved Application of IT

Exhibit IV-1 shows the importance that executives attach to each of a number of potential corporate IT objectives.

Exhibit IV-1

#### Corporate IT Objectives



Sample of 60 respondents. Standard error = 0.15

Source: INPUT

Executives in Europe have exhibited considerable dissatisfaction with the low levels of business benefit that have often resulted from major IT investments in recent years. This has led to a growing involvement of senior executives in IT project identification and authorisation, and generally a more critical approach to the application of IT. It has also led to considerable pressure on in-house IT departments to reduce their budgets.

However, while there remains some pressure on IT departments to reduce their levels of expenditure, there is also a growing recognition amongst senior executives of the possibility of using IT aggressively for business benefit.

Overall, senior executives expect to maintain the current level of use of IT within their organisations but are seeking considerable improvement in the manner in which IT is applied to their business.

Approximately 90% of the executives questioned perceive a strong need to improve the effectiveness with which IT is applied to their business, and approximately 65% of executives perceive a strong need to aggressively use IT for competitive advantage.

Exhibit IV-2 ranks these potential objectives by average importance in France, Germany and the U.K..

Exhibit IV-2

### Ranking of Corporate IT Objectives by Country

Objective	Ranking		
	France	Germany	U.K.
Increase effectiveness in applying IT to the business	1	1	1
Aggressively use IT for competitive advantage	3	2	2
Reduce IT expenditure	2	4	4
Increase use of IT	4	3	3

Sample of 60 respondents.

Source: INPUT

Executives in Germany show the highest commitment to using IT for competitive advantage. Approximately 80% of them view this as an important objective. The proportion of executives holding a corresponding view in France is markedly lower at just 45%.

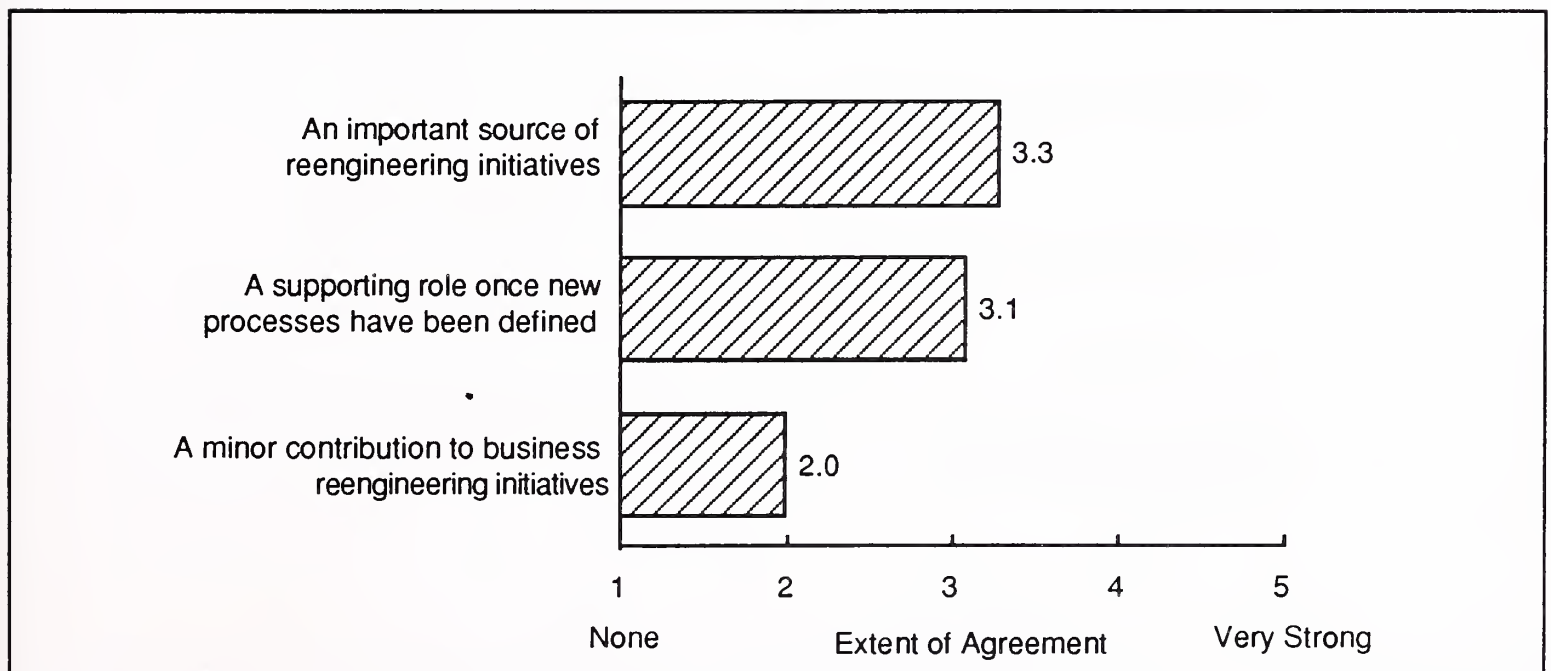
On the other hand, French executives show the highest commitment to reducing IT expenditure. This is strongly favoured by 50% of executives. The lowest proportion of executives seeking to reduce their organisation's IT expenditure is in the U.K., where approximately 30% strongly favour this course of action. However, this may reflect the extensive cost-cutting that has already taken place in the U.K.

This evidence suggests that the majority of executives in Europe recognise the potential offered by IT to support business reengineering initiatives. However, while executives tend to agree that information technology is an important component of business process implementation, they are divided on the nature of the role information technology should play within business reengineering projects.

Exhibit IV-3 analyses executives' perceptions of the role played by IT within business reengineering exercises.

Exhibit IV-3

### Role of Information Technology within Business Reengineering Projects



Sample of 60 respondents. Standard error = 0.2

Source: INPUT



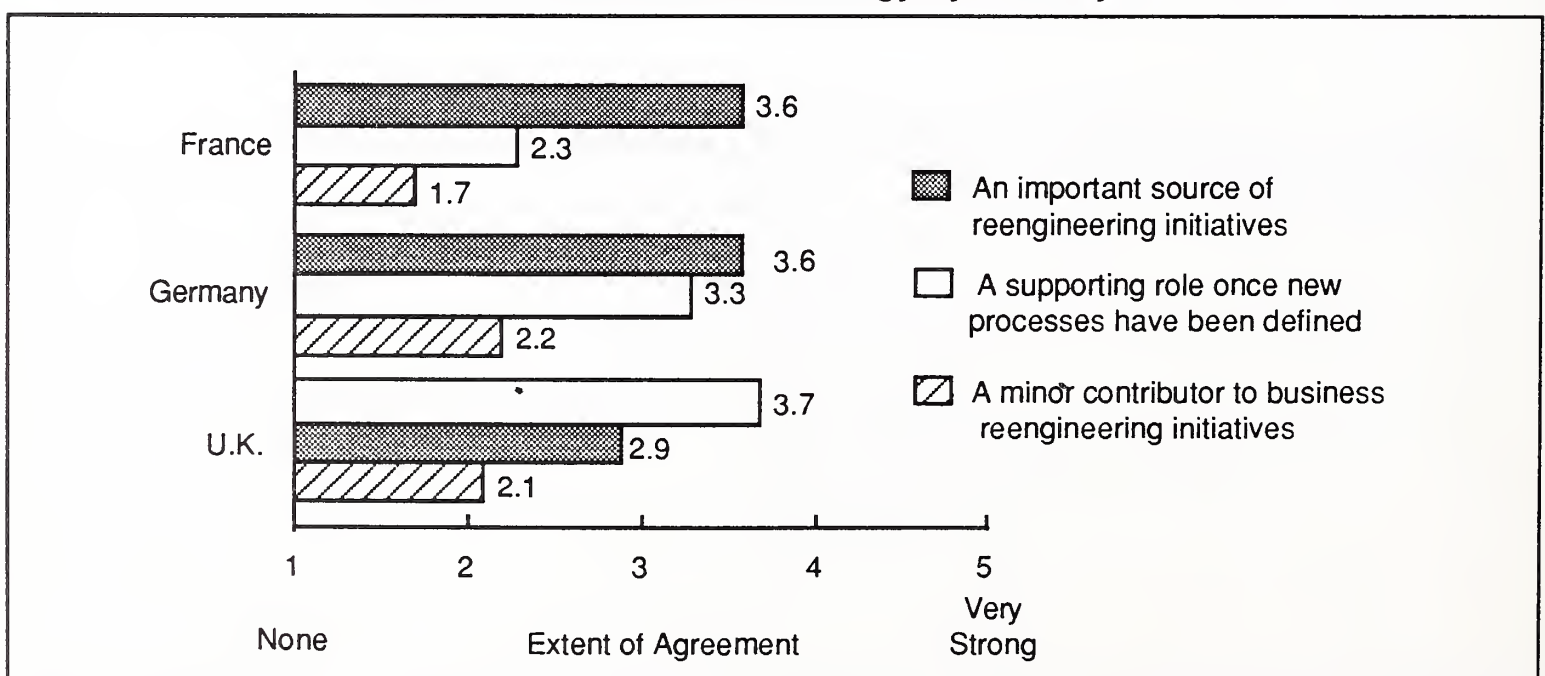
Overall, executives agree that information technology plays an important role within business reengineering projects. Only 10% of executives strongly agreed with the statement that information technology makes only a minor contribution to business reengineering initiatives.

However, executives in Europe are roughly equally divided between those who believe that IT is an important source of reengineering initiatives and those who believe that information technology merely plays a supporting role once the new processes have been defined. Approximately 55% of executives perceive that IT should play a pro-active role in business reengineering and has the potential to be an important source of initiatives. On the other hand, approximately 45% of executives perceive that information technology should not directly influence the nature of reengineering projects but should just act to facilitate the implementation of new processes once these have been defined.

However, there are significant differences in attitude between executives in each of France, Germany and the U.K.. Exhibit IV-4 shows the differing attitudes of executives towards these approaches by country.

Exhibit IV-4

### Role of Information Technology by Country



Sample of 60 respondents. Standard error 0.3.

Source: INPUT

In France and Germany, the majority of executives regard IT as an important source of reengineering initiatives. In particular, in France and Germany, many executives regard IT as inseparable from business reengineering. However, in the U.K., executives are typically dismissive of the role of information technology as a driving force for business reengineering. Approximately two-thirds of executives in the U.K. perceive that technology is merely a supporting tool for assisting in new process implementation. Their approach to business reengineering would typically be separated into two phases:

- Firstly, the identification of the new business processes
- Secondly, their implementation involving the specification and development of information systems.

## **B**

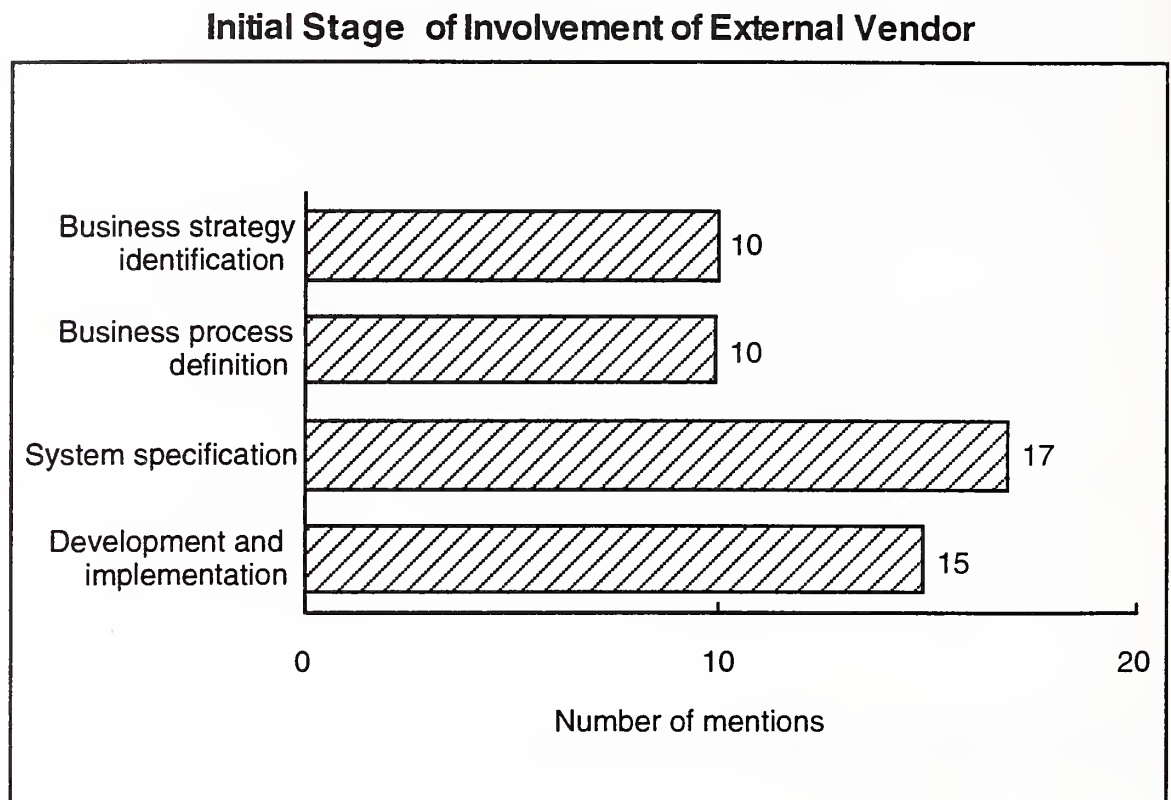
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### **Executives Require Strong Technical Capabilities**

Executives' perceptions of the degree of strategic importance of information technology within business reengineering projects affect their attitudes towards the stage at which their in-house IT department or external vendor should become involved in the business reengineering project. They also affect their views on the types of skill set that the supplier should possess.

Exhibit IV-5 identifies the number of executives who perceived that their supplier should become involved in each stage of the business reengineering process.

Exhibit IV-5



*Sample of 52 respondents.*

*Source: INPUT*

Approximately 40% of executives, presumably those who regard IT as having the potential to make a pro-active contribution to business reengineering projects, believe that the IT supplier should become involved during the early stages of a business reengineering project, namely during business strategy identification and business process definition. However, the majority of executives believe that the supplier should maintain a more technical stance and not be involved in such activities.

Exhibit IV-6 provides a country breakdown, identifying the number of executives who perceived that their supplier should become involved in each stage of the business reengineering process for each of France, Germany, and the U.K.

Exhibit IV-6

**Stage of Involvement of External Vendor by Country**

Stage	Number of mentions		
	France	Germany	U.K.
Business strategy identification	3	6	1
Business process definition	5	3	2
System specification	4	7	6
Development implementation	6	3	6
Total	18	19	15

*Source: INPUT*

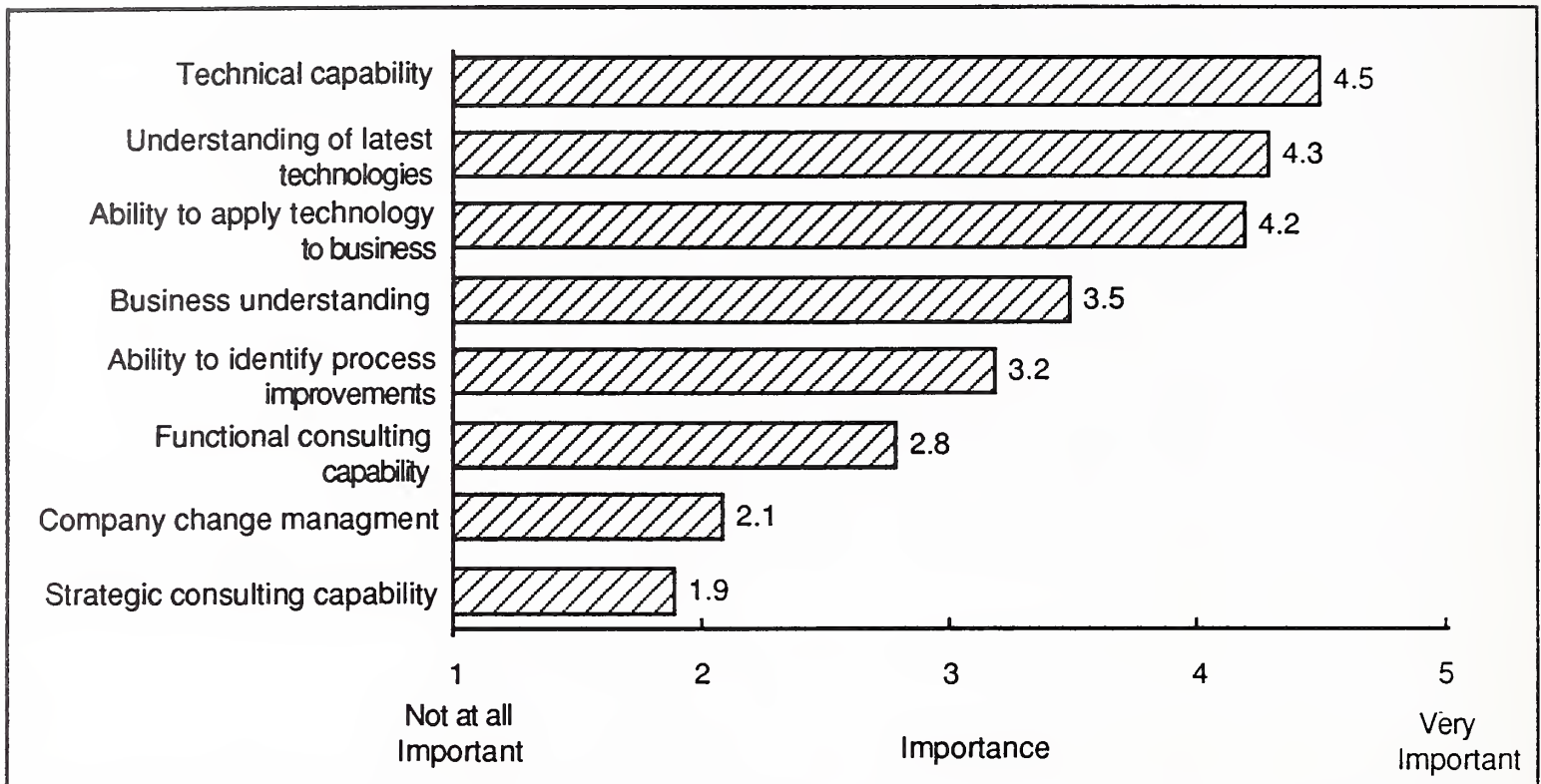
This again shows a marked difference in attitude between the U.K. and the other two countries. The proportion of executives who perceive that their IT suppliers should become involved in the more commercial aspects of business reengineering initiatives is much lower in the U.K. than in France and Germany.

Exhibit IV-7 shows the average ratings that executives gave to the importance of their IT supplier possessing each of the skills listed.



Exhibit IV-7

## Importance of Skills



Sample of 60 respondents. Standard error = 0.15

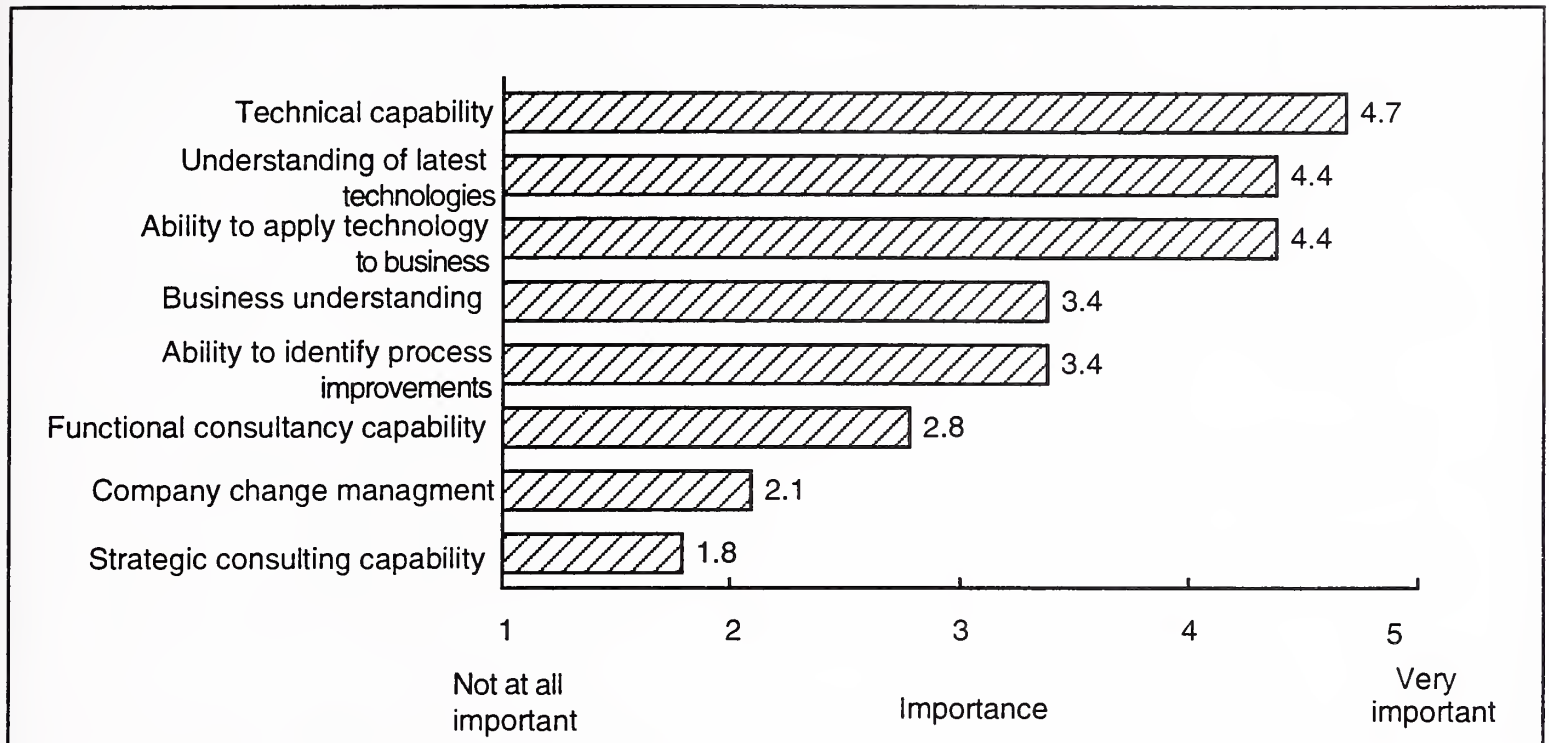
Source: INPUT

The majority of European executives require their IT suppliers to be technology experts rather than business consultants. Nearly 95% of the executives interviewed perceive technical capability to be a very important characteristic of their IT suppliers, and approximately 85% of them believe it very important that their suppliers have a good understanding of the latest technologies.

However, business understanding was only rated an important characteristic of IT suppliers by 50% of executives, while strategic consulting capability was rated as an important IT vendor characteristic by just 10% of executives.

Again there are different attitudes to the importance of each of these characteristics by country. Exhibits IV-8 to IV-10 list the perceived importance of each of these skills by executives in France, Germany and the U.K. respectively.

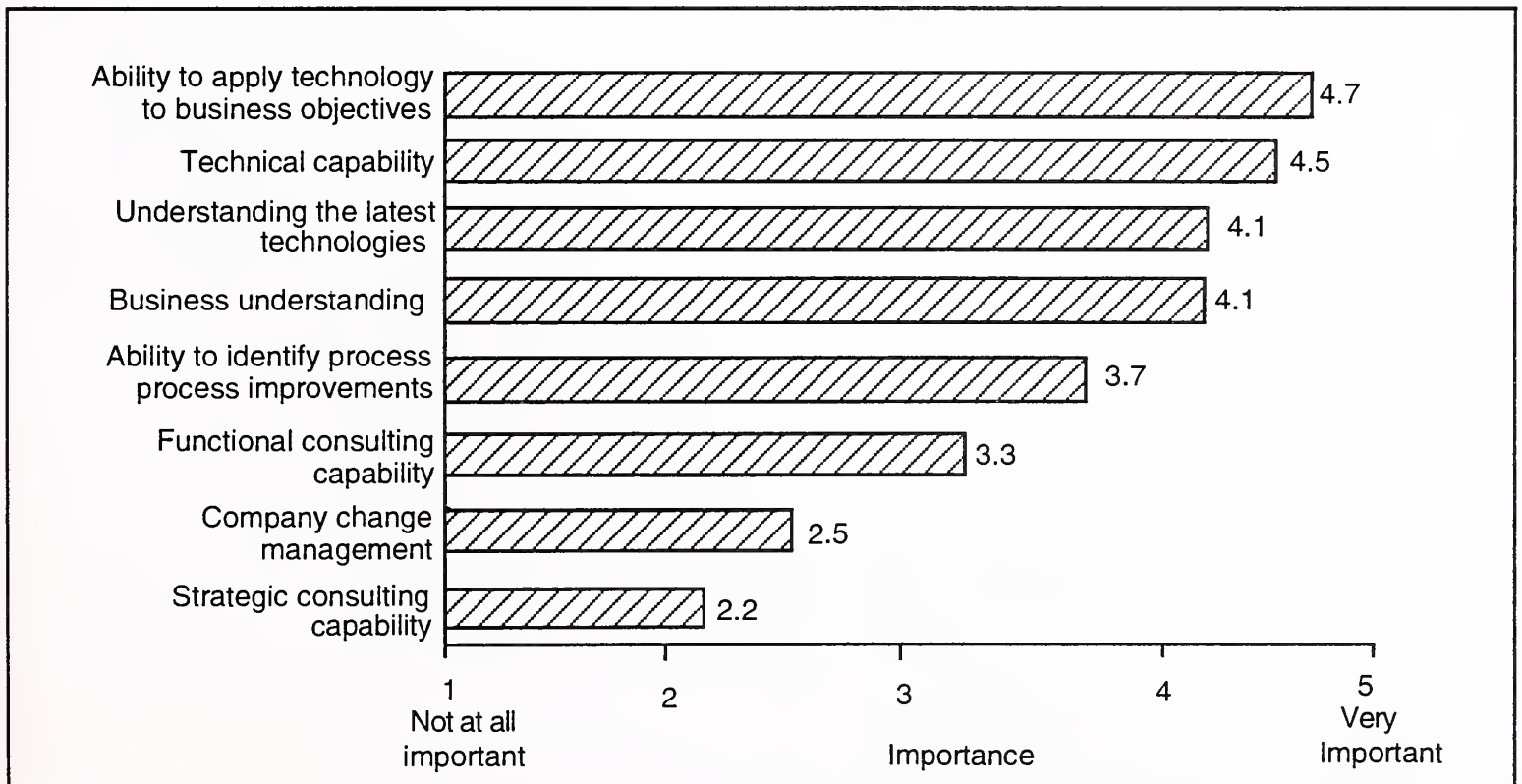
Exhibit IV-8

**Perceived Importance of Skills: France**

Sample of 20 respondents. Standard error = 0.25

Source: INPUT

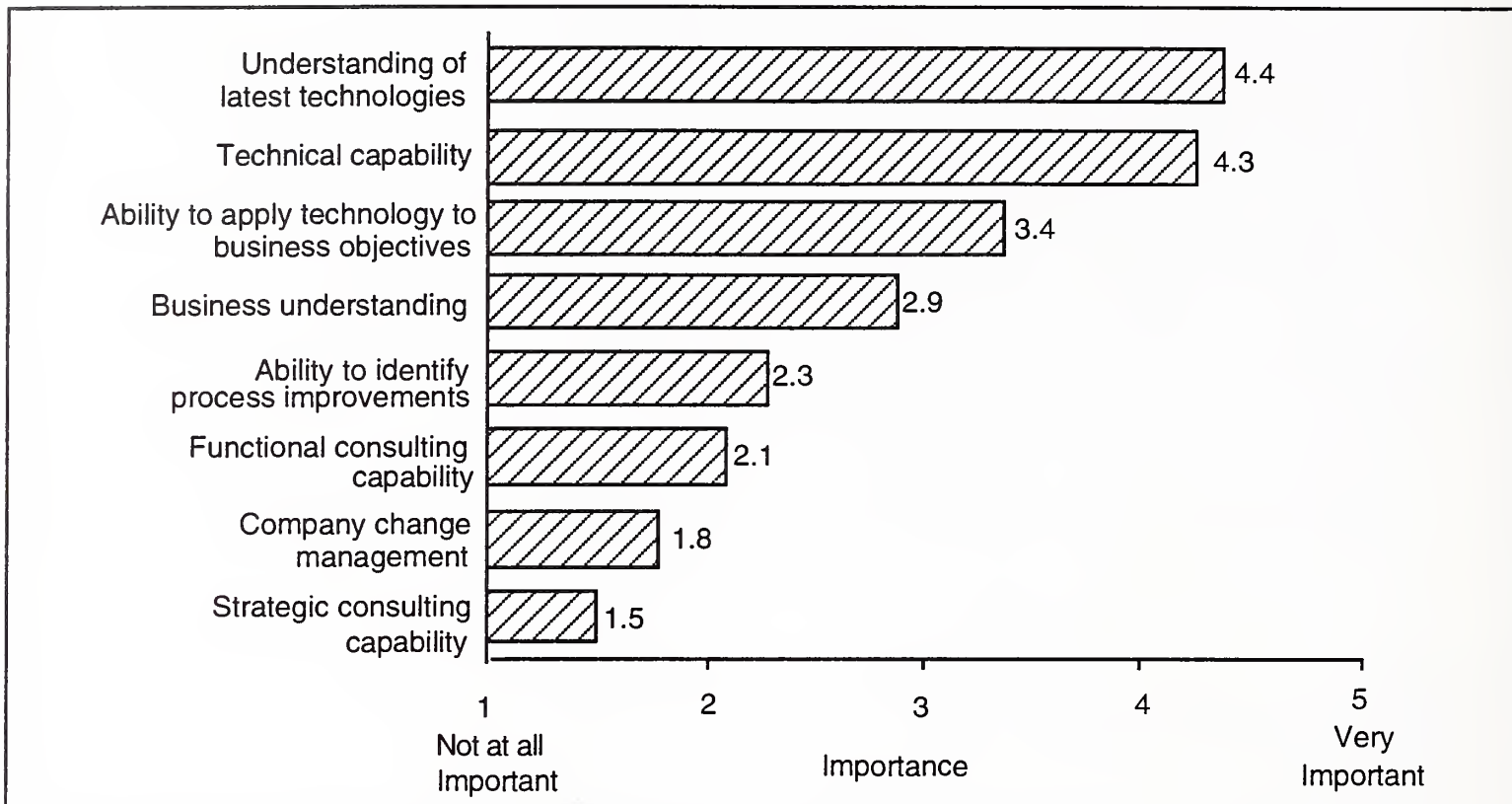
Exhibit IV-9

**Perceived Importance of Skills: Germany**

Sample of 20 respondents. Standard error = 0.25

Source: INPUT

Exhibit IV-10

**Perceived Importance of Skills: United Kingdom**

Sample of 20 respondents. Standard error = 0.25

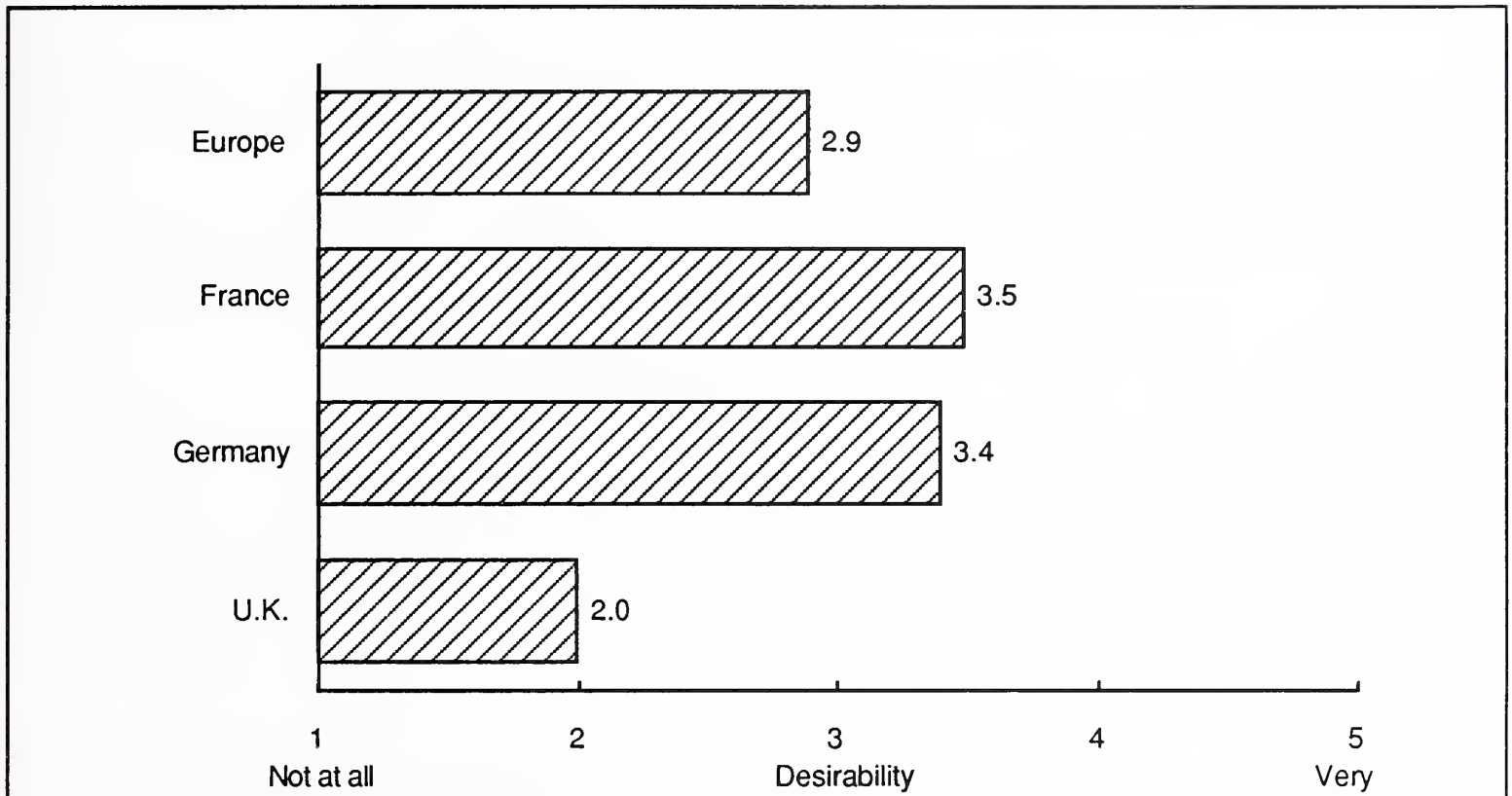
Source: INPUT

A comparatively high proportion of German executives want their IT vendors to possess commercial skills in addition to technology skills. Nearly two-thirds of the German executives interviewed regard their IT suppliers ability to identify business process improvements as an important characteristic and a similar proportion of them regard business understanding as an important vendor characteristic. On the other hand, the corresponding proportions of executives who perceive these skills to be important vendor characteristics in the U.K. are 10% and one-third. Similarly a quarter of German executives regard change management capability as an important vendor characteristic compared to approximately 5% of executives in the U.K.. The majority of executives in the U.K. appear to require only limited business understanding from their IT suppliers.

**C****Executives in France and Germany Want Combination of Technical and Reengineering Skills**

Exhibit IV-11 shows executives' views on the desirability of IT suppliers combining business reengineering and technical skills by country.

Exhibit IV-11

**Desirability of IT Supplier Combining Business Reengineering and Technical Skills**

Sample of 60 respondents. Standard error = 0.3

Source: INPUT

Overall, approximately 40% of executives strongly believe that IT suppliers should combine business reengineering and technical skills. However, there is a considerable difference of opinion on this issue between executives in France and Germany and those in the U.K. The majority of the executives interviewed in France and Germany believed that it was very desirable for IT vendors to combine these characteristics, while only 10% of respondents in the U.K. shared this view.

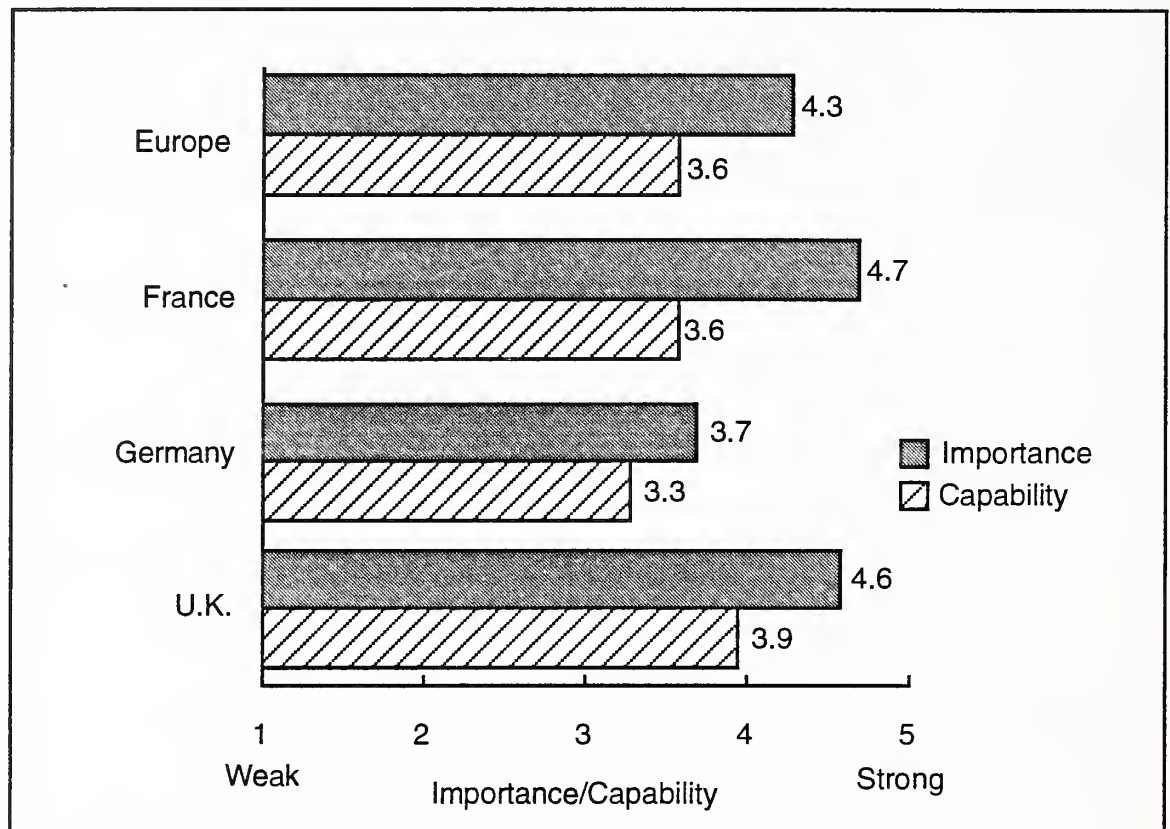
At present, there is a shortfall between executives' perceptions of the importance of their in-house IT departments possessing the capability to support reengineering initiatives and their perceived



capability to do so. Exhibit IV-12 summarises these perceptions by country.

Exhibit IV-12

### Capability of IT Departments to Support Reengineering Initiatives



Sample of 60 respondents. Standard error = 0.2

Source: INPUT

The largest gap between expectation and perceived capability is in France, and the smallest gap is in Germany. Some of the aspects of the in-house IT departments' capabilities that executives perceived need to improve in order to provide better support for reengineering initiatives are listed in Exhibit IV-13.

Exhibit IV-13

**Areas for Improvement**

France	Germany	United Kingdom
Become more commercially oriented	Widen skill base	Faster decision-making
Move to newer IT environments	Become more receptive to new technologies	Removing IT policy constraints
Overcome resistance to change	Become more commercially oriented	More rapid migration to open systems
Remove vendor preferences	Become more cost-efficient	Adapting to changing environment

*Source: INPUT*

In France, the major concern of executives is that IT departments need to become more commercially oriented than at present. Individual criticisms of IT departments include:

- They need to develop a greater awareness of business issues and services
- They need to think of themselves as a service provider
- They need to develop the ability to see things for the good of the company, irrespective of the impact on their department.

While some executives in Germany shared this view that their IT departments need to become more commercially oriented, the major concern expressed by German executives was the need for their IT departments to broaden their technical skill base and develop a better appreciation of newer technologies.

In the U.K., executives are concerned about the speed with which their IT departments can adopt new technologies and particularly about the restrictive influence of the IT department brought about by excessive bureaucracy and policy restrictions.

Exhibit IV-14 provides a more detailed analysis of executives' perceptions of the capabilities of their IT departments. These capabilities are compared against the importance attributed to the individual skill.

Exhibit IV-14

**Detailed Capabilities of IT Departments: Europe**

Attribute	Importance	Capability	Difference
Technical capability	4.5	4.3	0.2
Understanding of latest technologies	4.3	3.8	0.5
Ability to apply technology to business objectives	4.2	3.4	0.8
Business understanding	3.5	3.5	—
Ability to identify process improvements	3.2	2.6	0.6
Company change management	2.1	2.2	(0.1)
Cost effectiveness	—	3.0	—

Sample of 60 respondents. Standard error = 0.15

Source: INPUT

Similar analyses for each of France, Germany and the U.K. are provided in Exhibits IV-15 to IV-17.

Exhibit IV-15

**Detailed Capabilities of IT Departments: France**

Attribute	Importance	Capability	Difference
Technical capability	4.7	4.3	0.4
Understanding of latest technologies	4.4	3.9	0.5
Ability to apply technology to business objectives	4.4	3.3	1.1
Business understanding	3.4	3.4	—
Ability to identify process improvements	3.4	2.8	0.6
Company change management	2.1	2.2	(0.1)
Cost effectiveness	—	3.0	—

Sample of 20 respondents. Standard error = 0.25

Source: INPUT



Exhibit IV-16

**Detailed Capabilities of IT Departments: Germany**

Attribute	Importance	Capability	Difference
Technical capability	4.5	4.2	0.3
Understanding of latest technologies	4.1	3.3	0.8
Ability to apply technology to business objectives	4.7	3.4	1.3
Business understanding	4.1	3.6	0.5
Ability to identify process improvements	3.7	3.0	0.7
Company change management	2.5	2.3	0.2
Cost effectiveness	—	3.2	—

Sample of 20 respondents. Standard error = 0.2

Source: INPUT

Exhibit IV-17

**Detailed Capabilities of IT Departments: United Kingdom**

Attribute	Importance	Capability	Difference
Technical capability	4.3	4.4	(0.1)
Understanding of latest technologies	4.4	4.1	0.3
Ability to apply technology to business objectives	3.4	3.6	(0.2)
Business understanding	2.9	3.6	(0.7)
Ability to identify process improvements	2.3	2.2	0.1
Company change management	1.8	2.2	(0.4)
Cost effectiveness	—	3.0	—

Sample of 20 respondents. Standard error = 0.2

Source: INPUT

Executives throughout France, Germany and the U.K. perceive that their IT departments need to increase their understanding of the latest technologies. Another major area of concern throughout Europe is the cost-effectiveness of IT departments. Only 25% of the executives interviewed gave their IT departments a high rating for cost-effectiveness.



However, executives in the U.K. typically require only low levels of commercial skill from their IT suppliers, and, measured against this low expectation, their IT departments' performance appears to be largely satisfactory.

On the other hand, executives in France and Germany have higher expectations. Consequently their IT departments show shortfalls in terms of their ability to apply technology to business objectives and their ability to identify business process improvements.

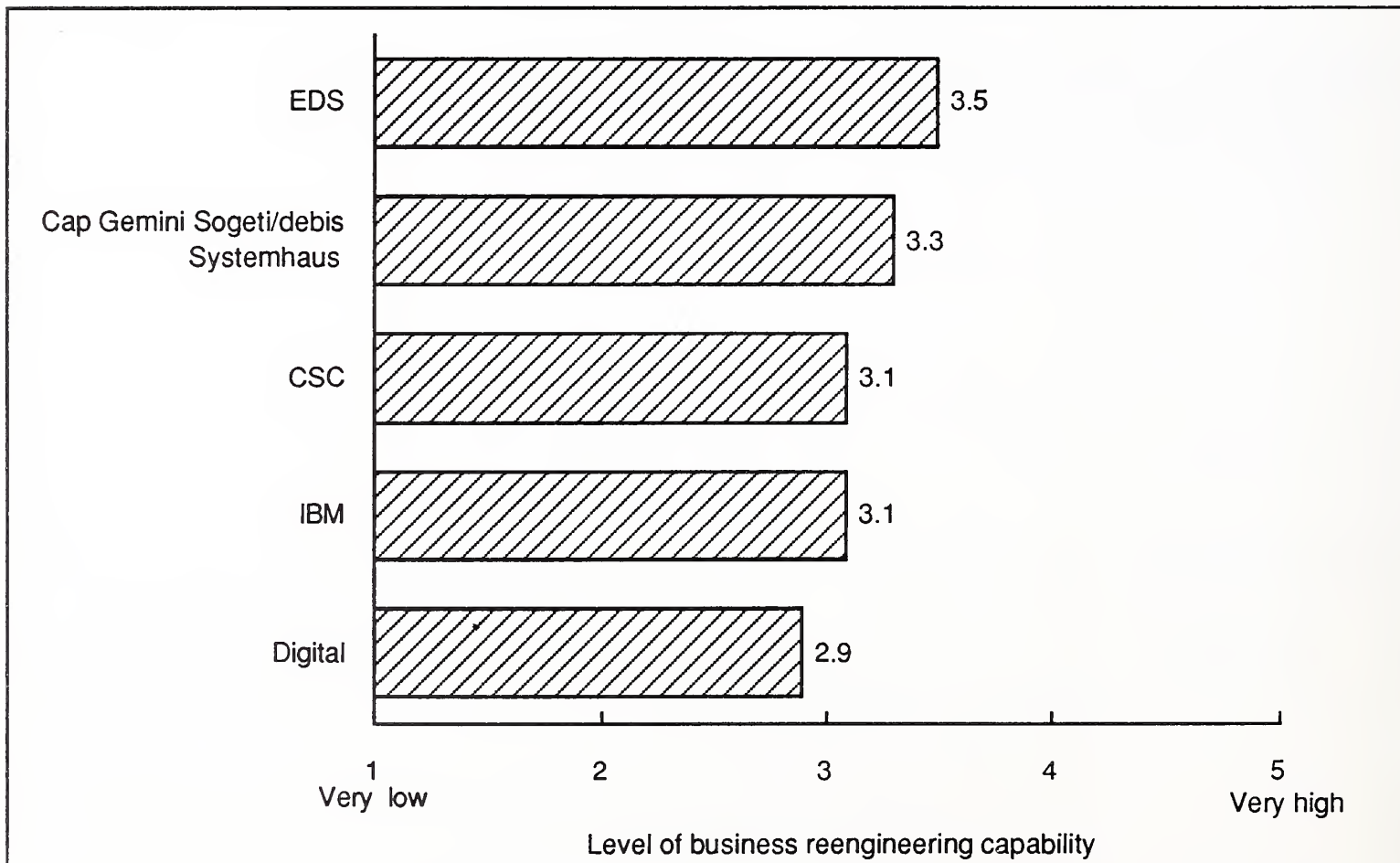
## D

### EDS Perceived to Have Strongest Business Reengineering Capability

Overall, IT vendors are perceived by European executives to possess low levels of business reengineering capability. Exhibit IV-18 lists the ratings given to five leading IT vendors.

Exhibit IV-18

#### Perceived Vendor Business Reengineering Capability: Europe



Sample of 60 respondents. Standard error = 0.2

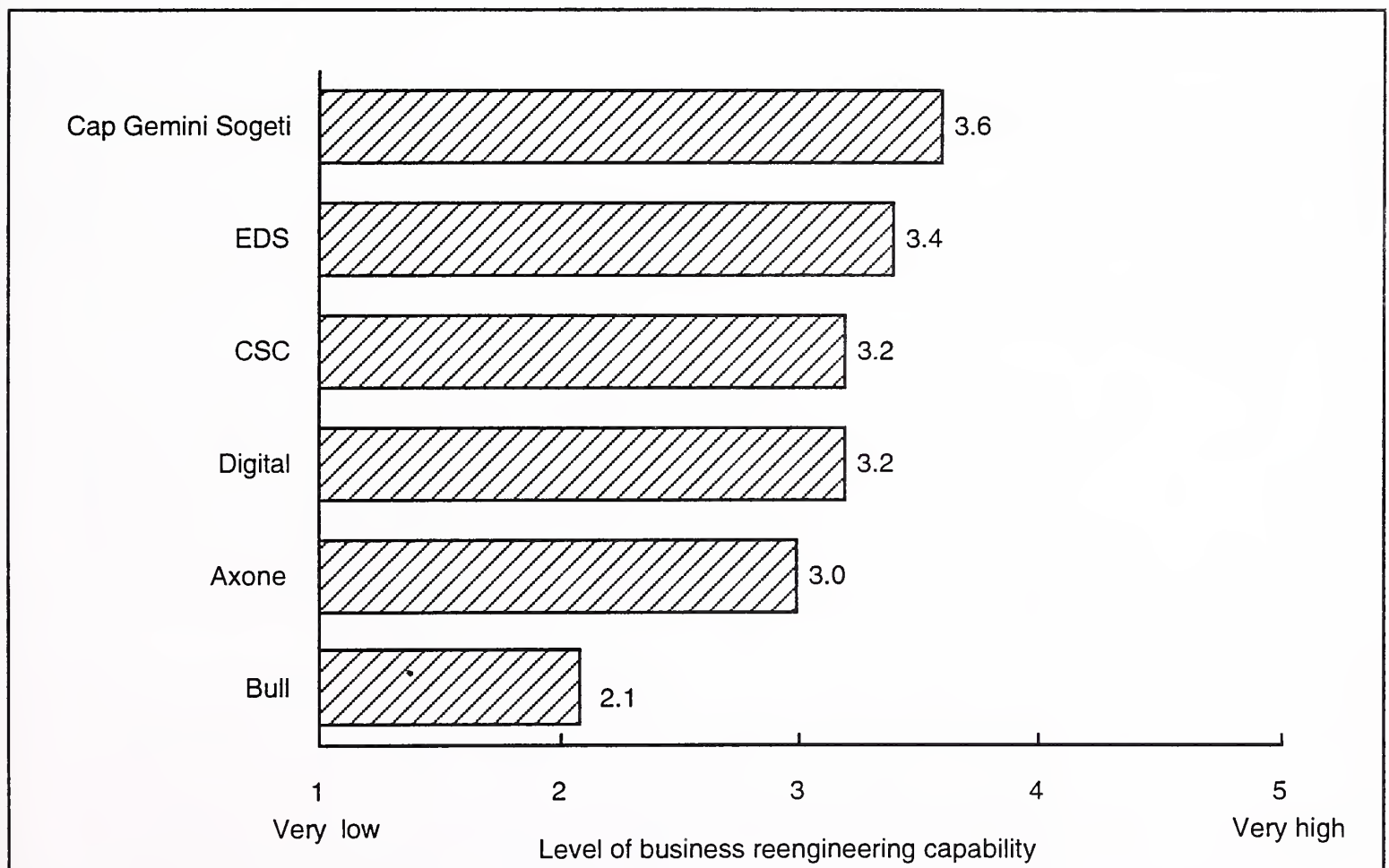
Source: INPUT

All of the companies listed in Exhibit IV-18 have been assembling management consulting divisions in recent years. Awareness of the wider capabilities of some IT vendors now appears to be reaching the executive community. Although the overall ratings shown in Exhibit IV-18 are moderate, EDS was perceived to have a high level of business reengineering capability by nearly 50% of the executives interviewed. Indeed this view was held by three-quarters of respondents in the U.K..

Exhibits IV-19 to IV-21 provide details of executives' attitudes towards vendors' business reengineering capabilities by country. In addition to the vendors listed above, the principal national equipment vendor has been included in the assessments for each country.

Exhibit IV-19

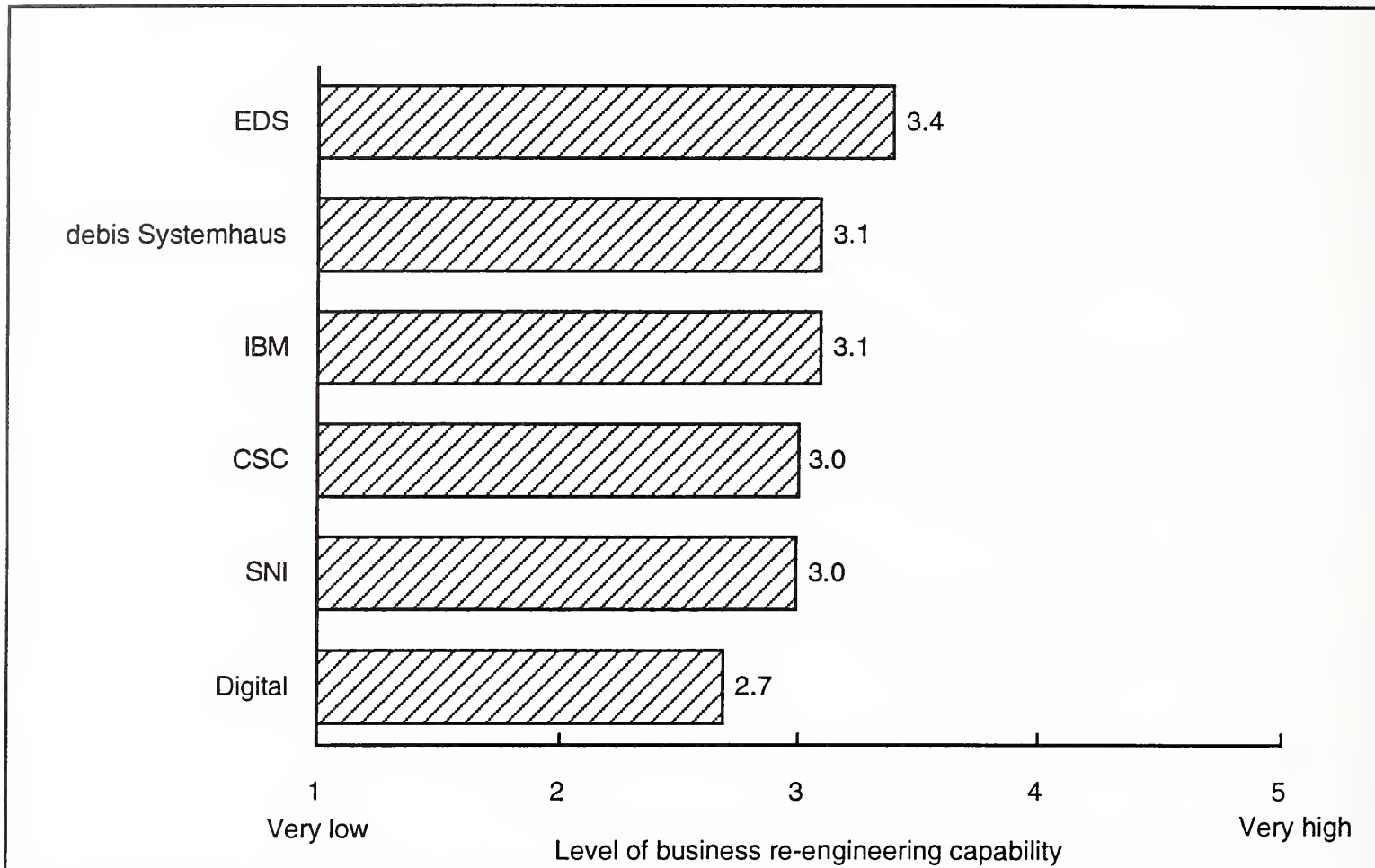
### Perceived Vendor Business Reengineering Capability: France



Sample of 20 respondents. Standard error = 0.3.

Source: INPUT

Exhibit IV-20

**Perceived Vendor Business Reengineering Capability: Germany**

Sample of 20 respondents. Standard error = 0.3

Source: INPUT

While EDS has achieved a high level of awareness of the company's business reengineering capabilities in the U.K., there was only one other instance of a vendor being regarded as having a high level of business reengineering capability. This occurred for France, where Cap Gemini Sogeti was regarded as having a high level of business reengineering capability by 605 of the executives interviewed.

Unlike EDS, European executives showed a low level of awareness of CSC and the company's business reengineering capability. Despite CSC Index being the originator of the concept of business reengineering, a smaller number of executives were prepared to rate CSC than any of the other vendors mentioned indicating a comparatively low awareness of the company. Fewer than a quarter of those executives who did rate CSC's business

reengineering capability rated CSC as having a high level of capability in this area.

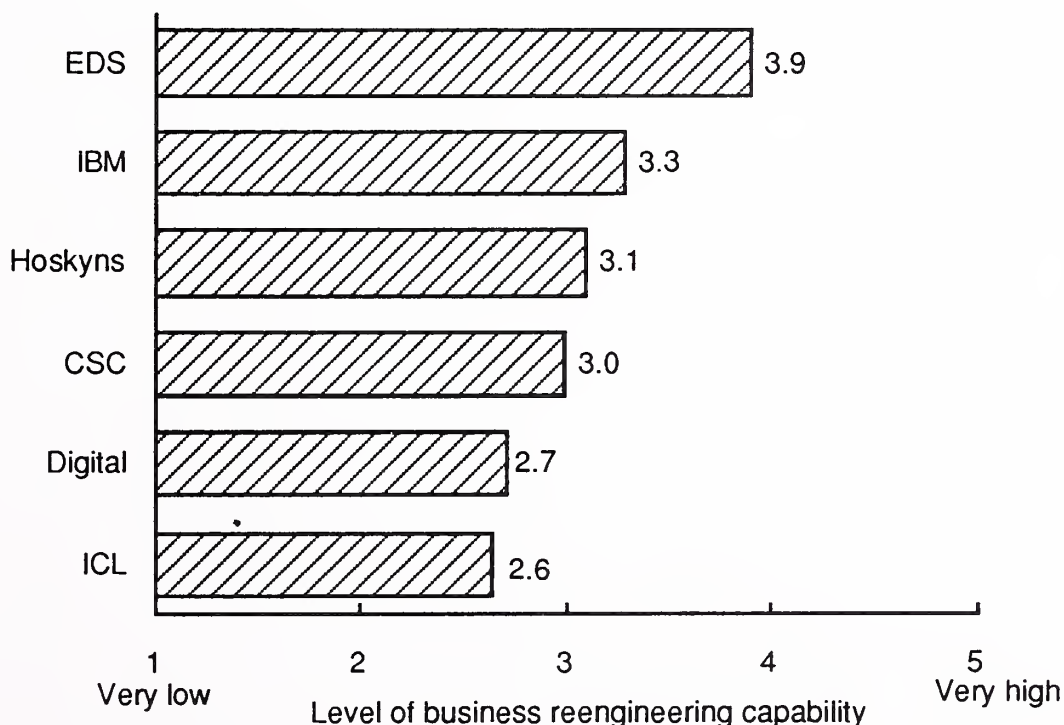
Although IBM received a similar overall rating to CSC, this reflects the more polarised views of IBM's capabilities. Nearly 40% of European executives perceived IBM to have a high degree of reengineering capability but this view was countered balanced by the 30% of executives perceiving IBM to have only a low of capability. IBM is viewed most favourably in the U.K..

Fewer than one-quarter of European executives perceive Digital to have a strong level of business reengineering capability, and the company appears to be regarded more favourably in France than in the U.K. and Germany.

Overall, the indigenous equipment suppliers, ICL, Bull and SNI, received low ratings. This particularly applied to Bull. Only one of the executives interviewed in France regarded Bull as having a high level of business reengineering capability.

Exhibit IV-21

### Vendor Business Reengineering Capability U.K.



Sample of 20 respondents. Standard error = 0.3

Source: INPUT



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## **Outsourcing Assists Achievement of Business Process Improvements**

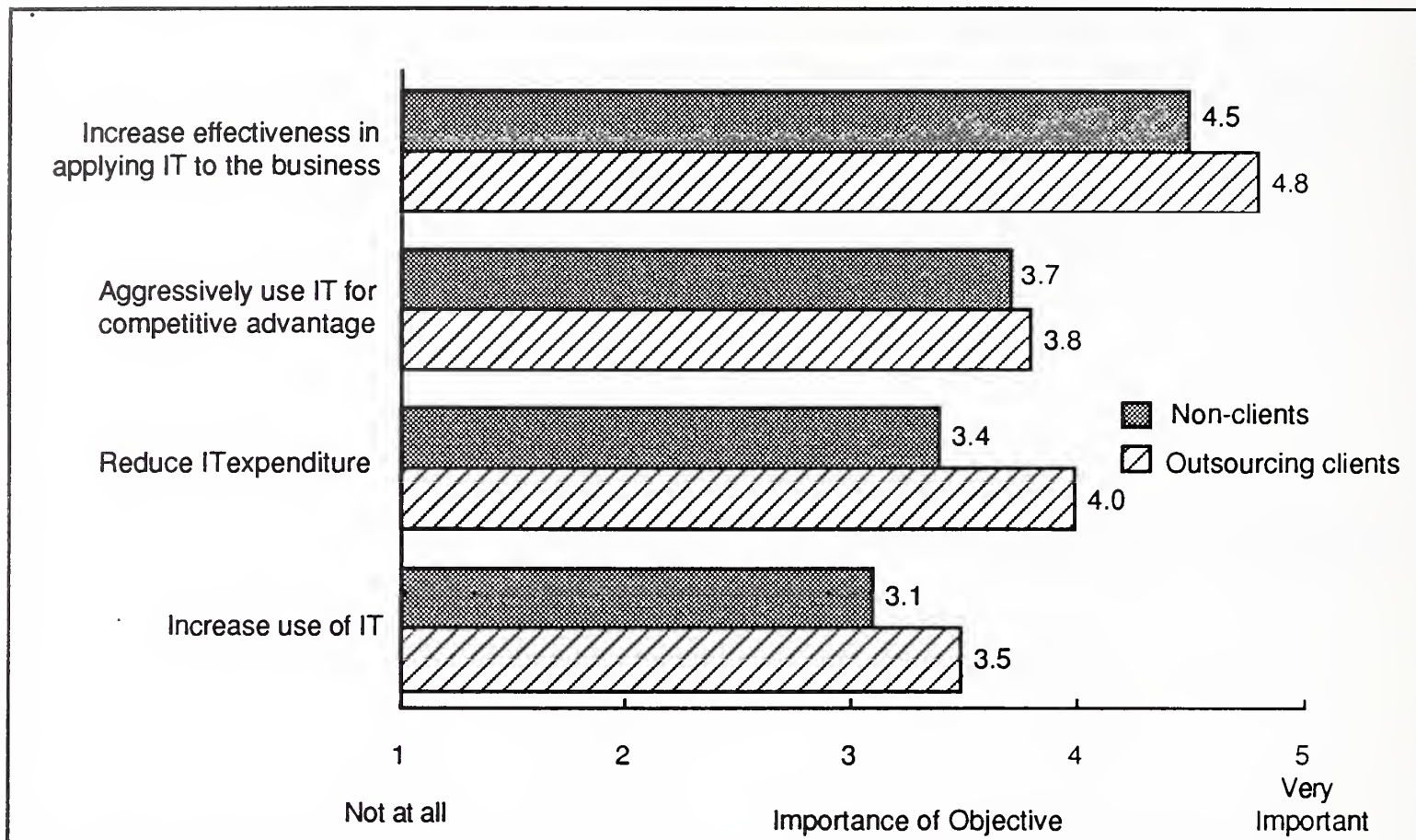
**A**

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### **Reducing IT Expenditure AND Applying IT More Effectively**

Exhibit V-1 contrasts the IT objectives of executives within organisations that outsource elements of their IT functions with those of executives from organisations that have not yet adopted IT outsourcing.

Exhibit V-1

**Corporate IT Objectives: Outsourcing Clients**

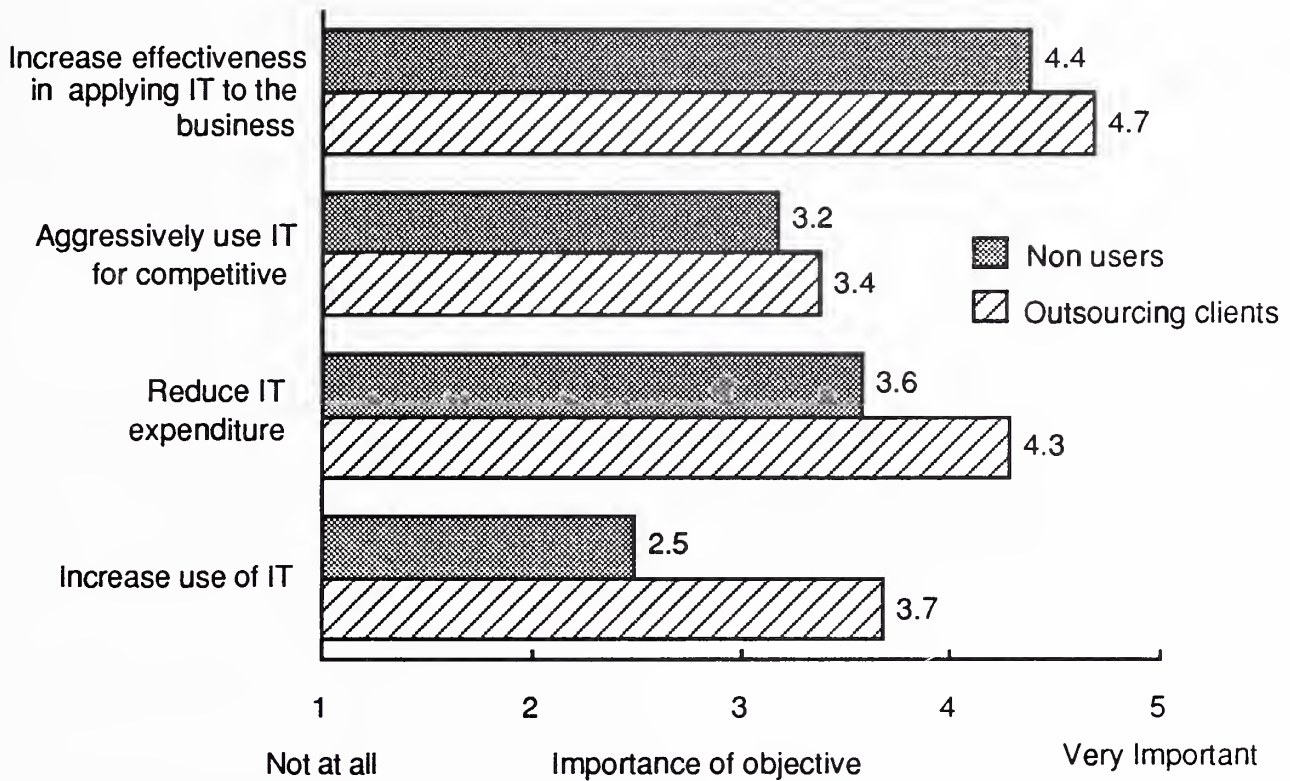
Sample of 30 outsourcing clients and 60 non-users. Standard error = 0.2

Source: INPUT

Overall, executives within organisations that already use IT outsourcing display a similar level of desire to aggressively use IT for competitive advantage to executives in organisations that have not yet adopted IT outsourcing. Indeed, they exhibit an even higher need to increase their use of IT and a similar level of enthusiasm for increasing the effectiveness with which IT is applied to their business. However, their most distinguishing characteristic is their strong desire to simultaneously reduce their IT expenditure. Seventy per cent of executives within those organisations using IT outsourcing expressed a strong need to reduce their IT expenditure compared to 40% in other organisations.

These broad conclusions apply across France, Germany and the U.K., though there are some national variations as shown in Exhibits V-2 to V-4.

Exhibit V-2

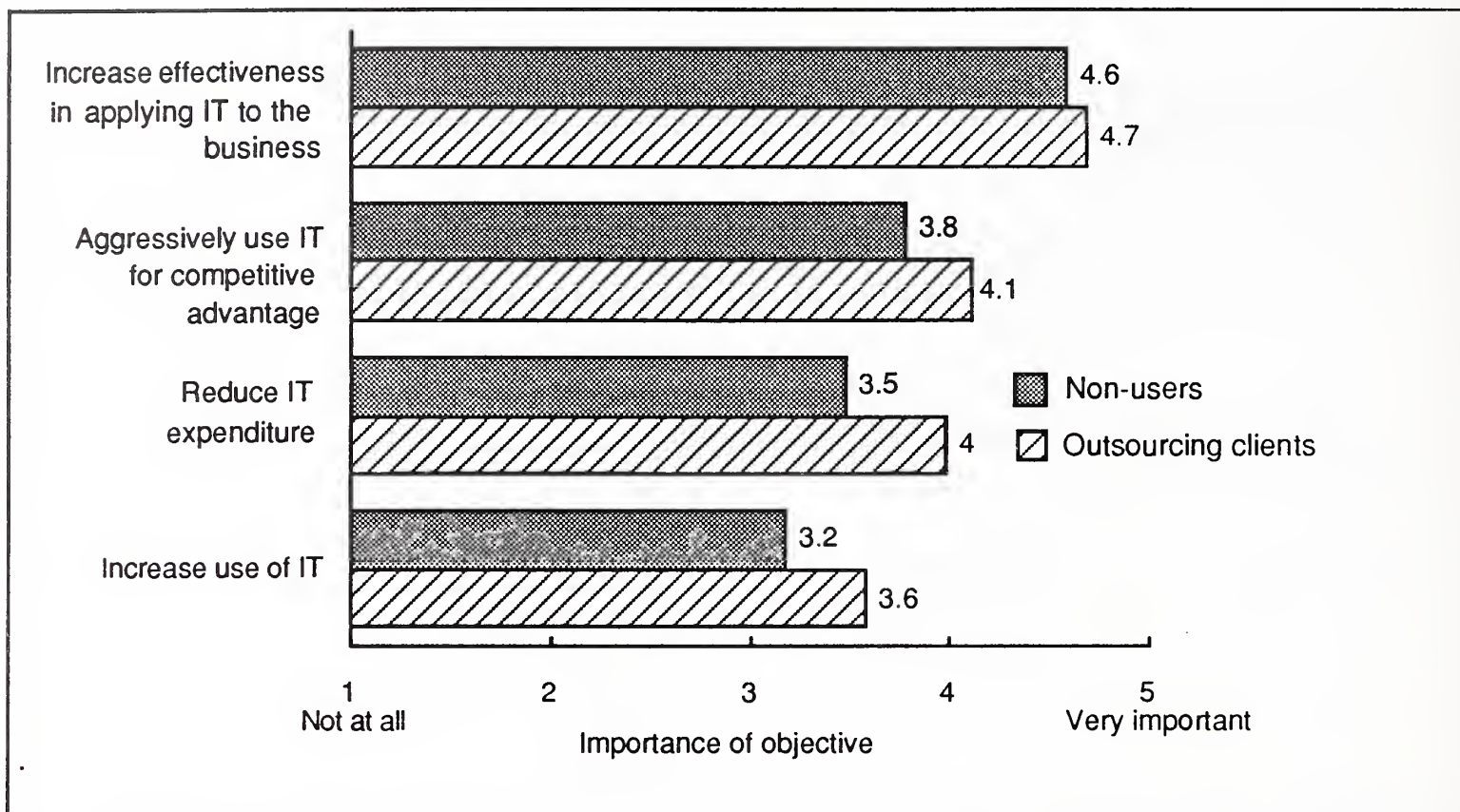
**Corporate IT Objectives: Outsourcing Clients France**

Sample of 10 outsourcing clients and 20 non-users. Standard error = 0.3

Source: INPUT



Exhibit V-3

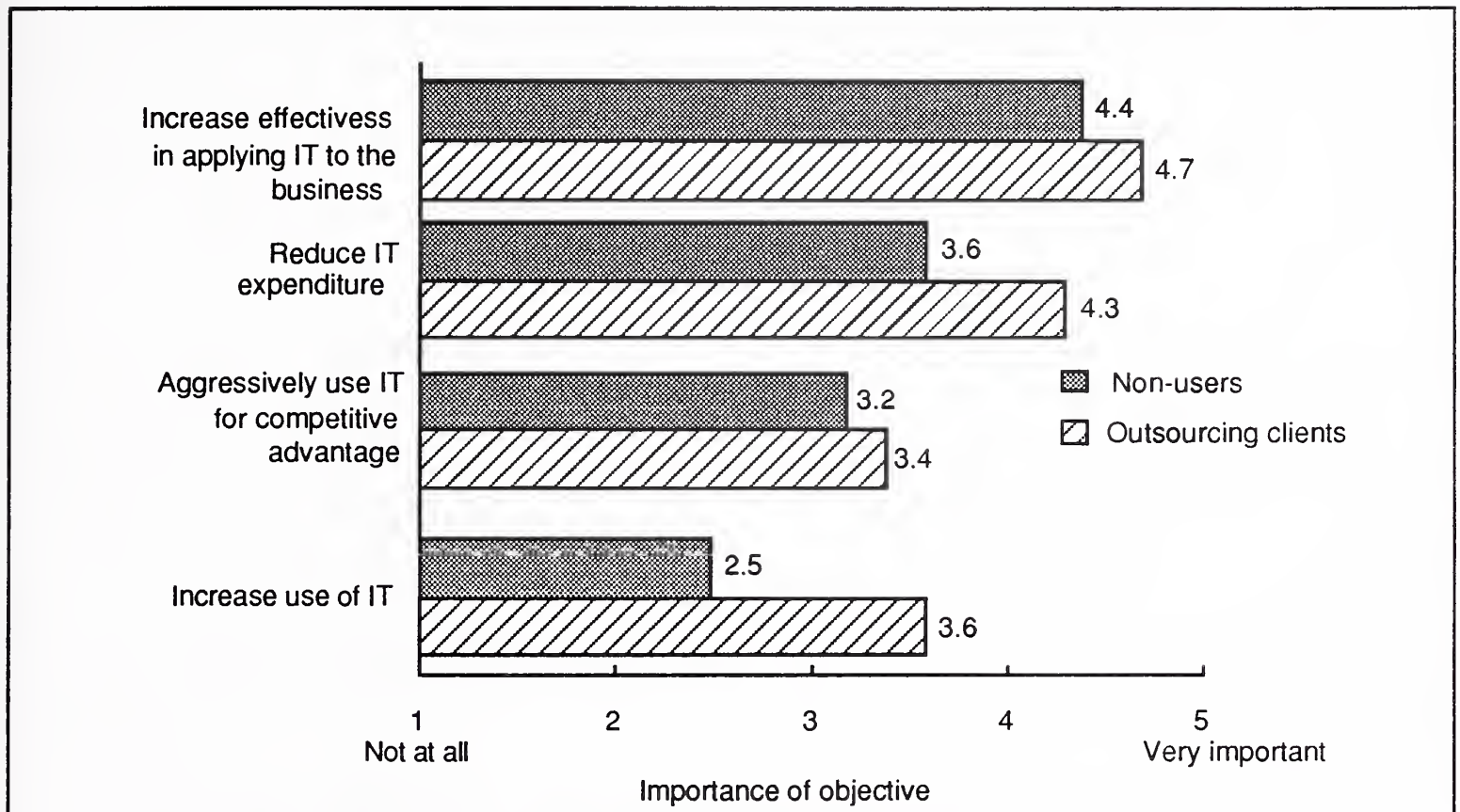
**Corporate IT Objectives: Outsourcing Clients Germany**

Sample of 10 outsourcing clients and 20 non-users. Standard error = 0.3

Source: INPUT

Exhibit V-4

### Corporate IT Objectives: Outsourcing Clients United Kingdom



Sample of 10 outsourcing clients and non-users. Standard error=0.3

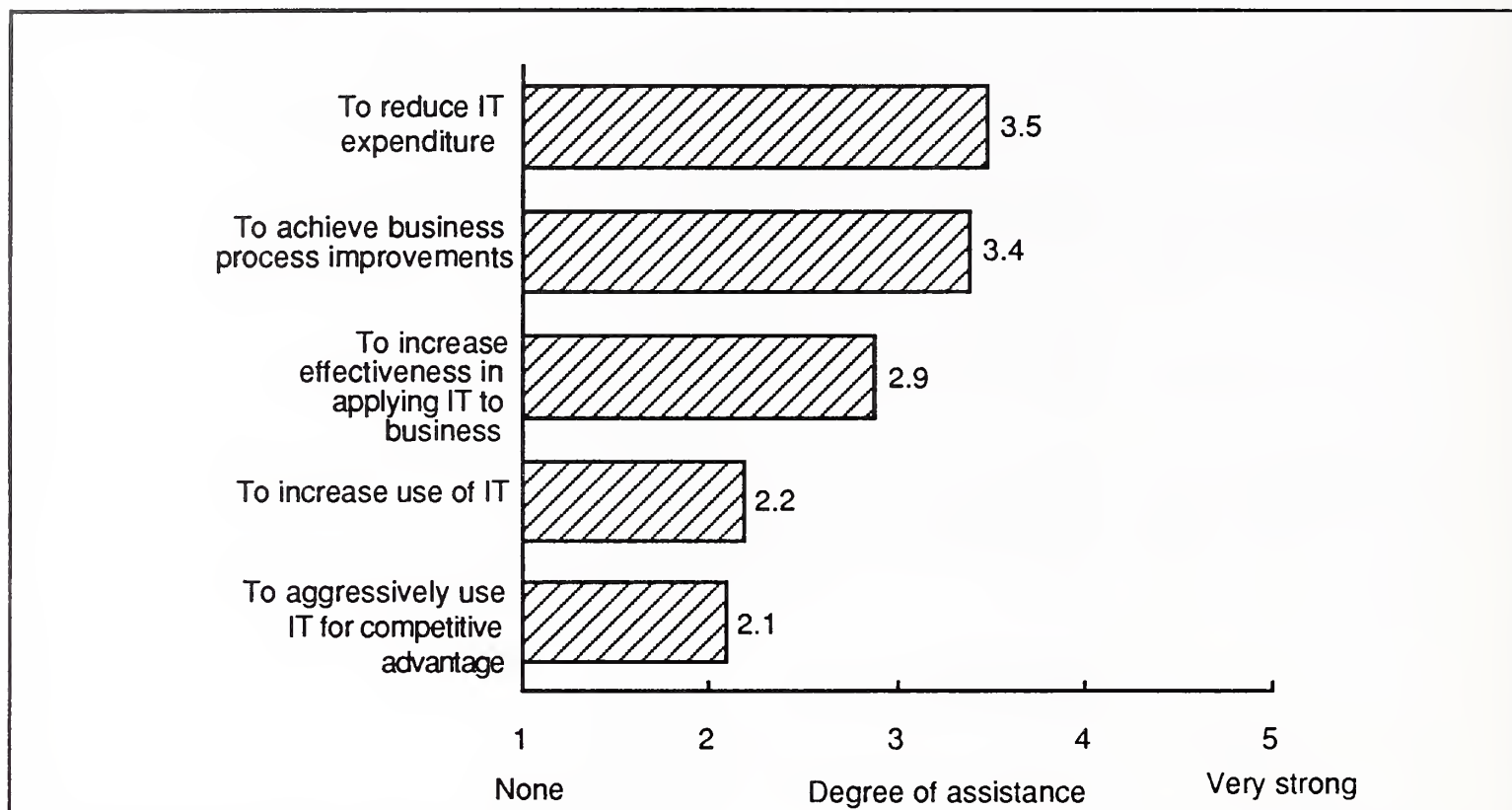
Source: INPUT

In France, organisations that have already outsourced elements of their IT function display a stronger propensity to increase their use of IT than organisations that have not adopted IT outsourcing.

However, executives' perceptions of the level of contribution made by outsourcing towards these objectives are mixed. Exhibit V-5 lists the executives' ratings of the extent to which IT outsourcing assists their organisations in meeting each objective.

Exhibit V-5

## Contribution from IT Outsourcing



Sample of 30 respondents. Standard error = 0.3

Source: INPUT

Approximately one-half of the executives interviewed perceived that outsourcing made a strong contribution towards assisting their organisations to reduce IT expenditure. Fewer than 10% of executives regarded outsourcing as making a weak contribution towards cost reduction.

An even higher proportion of executives, approximately 60%, perceived that IT outsourcing had enabled their organisation to achieve business process improvements. However views on this topic were more polarised than those on cost reduction.

However, only a minority of executives, approximately one-quarter, perceived that IT outsourcing had assisted their organisations in increasing the effectiveness with which IT was applied to the business. Overall, outsourcing was not perceived to have been associated with increased IT usage and fewer than 10% of executives perceived that outsourcing had made a significant contribution in aggressively using IT for competitive advantage within their organisations.



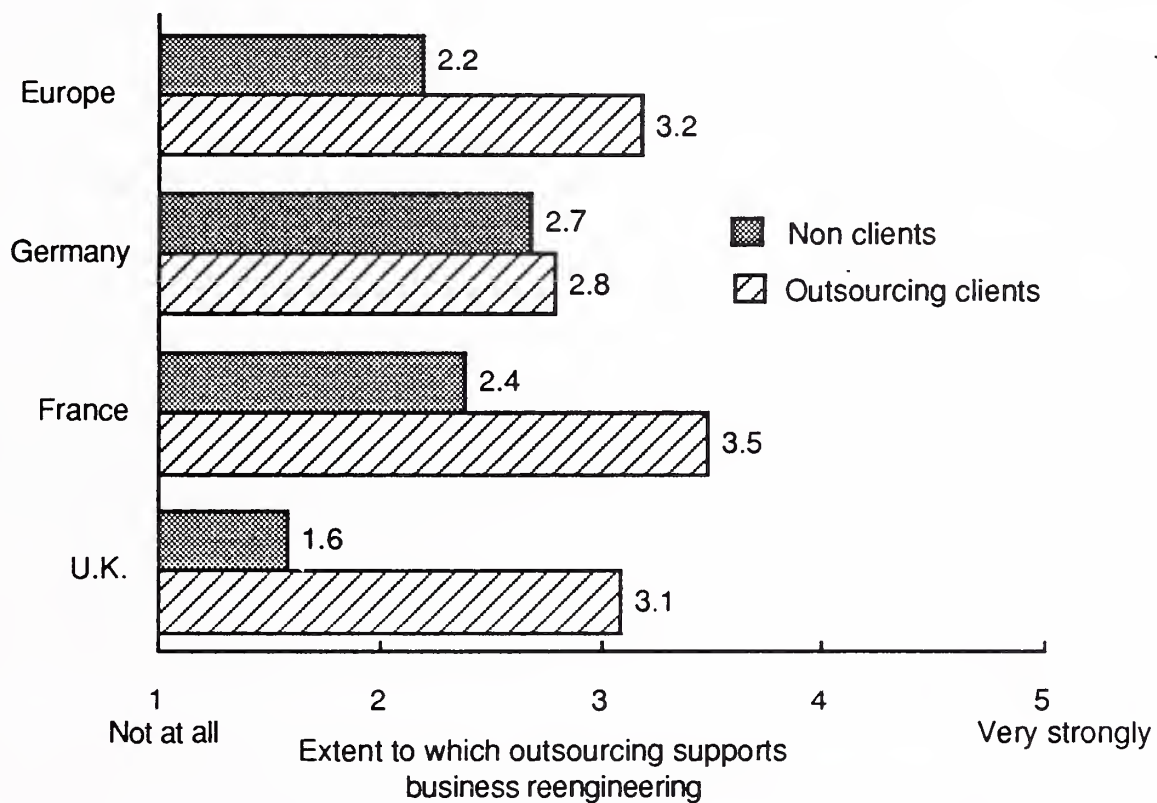
## B

### Outsourcing Supports Business Reengineering

Exhibit V-6 contrasts the perceptions of executives within companies that have already undertaken IT outsourcing with those of other executives towards the ability of IT outsourcing to support business reengineering.

Exhibit V-6

#### Relationship Between Outsourcing and Business Reengineering



Sample of 30 outsourcing clients and 60 non-users. Standard error = 0.2

Source: INPUT

Overall, approximately 55% of the executives interviewed within organisations already using IT outsourcing perceive that IT outsourcing is very supportive of business reengineering initiatives. This is a significantly higher proportion than for organisations that have not yet adopted IT outsourcing, where fewer than 25% of executives perceived IT outsourcing to be very supportive of business reengineering initiatives.

However IT outsourcing is principally viewed as supporting business reengineering initiatives indirectly rather than directly. Within organisations that currently use IT outsourcing, the



principal manner in which IT outsourcing is perceived to support business reengineering is by removing an element of day-to-day management responsibility and releasing management time for activities such as business reengineering.

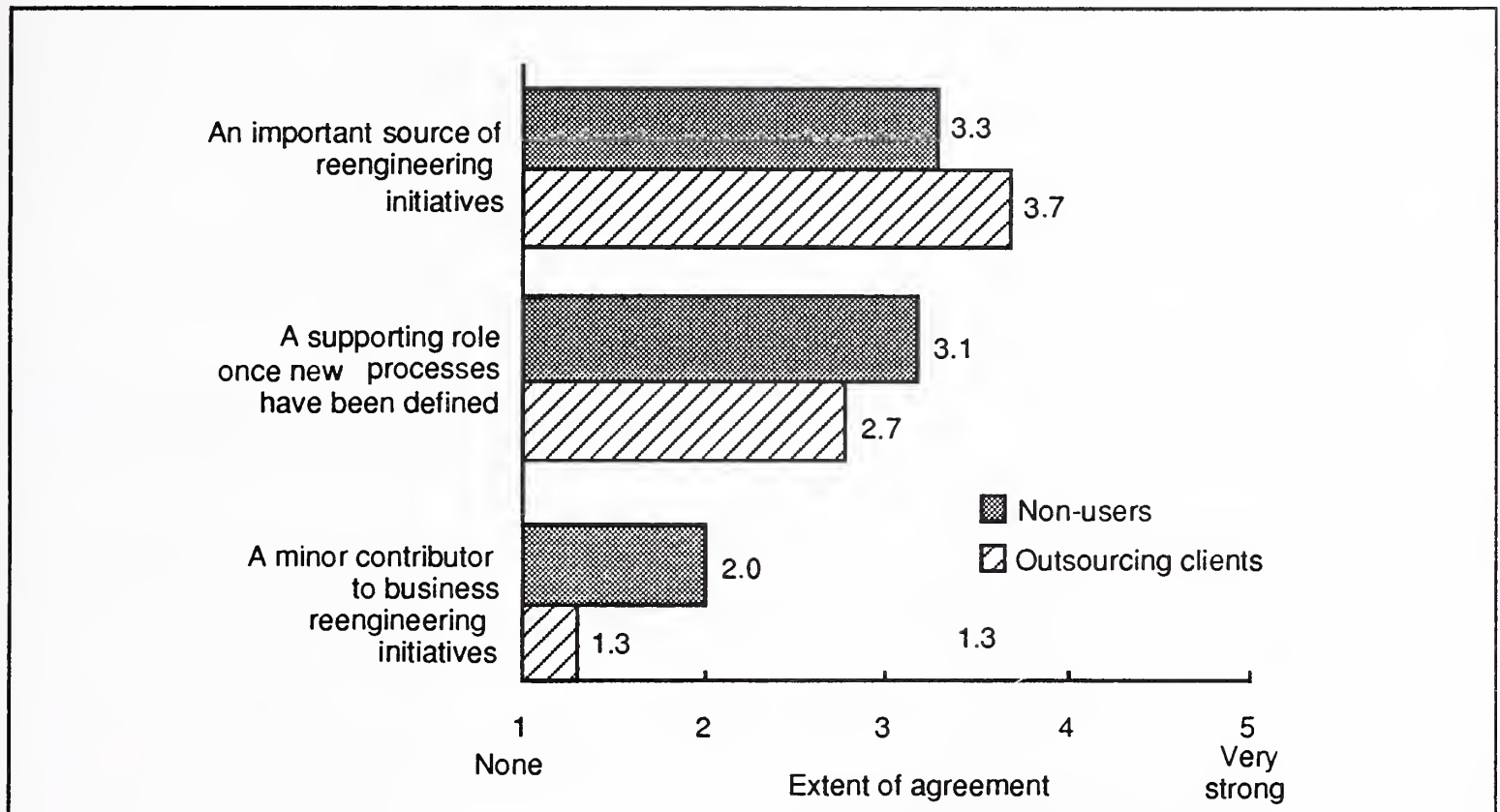
Outsourcing is also viewed as being culturally compatible with business reengineering, since:

- Both business reengineering and IT outsourcing have similar objectives namely, saving money and resources
- It demonstrates the practicality of outsourcing an in-house service, creating the possibility of applying this concept to other aspects of the business
- It creates an environment in which business reengineering is more likely to occur.

Overall, IT outsourcing is itself viewed by executives as a form of re-engineering applied to the organisation's IT functions. However, some concern was expressed that IT outsourcing vendors might have a vested interest in the application of business reengineering and not necessarily act in their clients' best interests. Executives within organisations that have not yet adopted IT outsourcing expressed the concern that IT vendors had limitations as business reengineering consultants and would tend to view all re-engineering from an exaggerated IT dominated perspective.

Executives within organisations that have already adopted IT outsourcing take a much more positive view of the role of information technology within business reengineering. Their views are contrasted with their counterparts in organisations that have yet to adopt IT outsourcing in Exhibit V-7

Exhibit V-7

**Role of Information Technology within Business Reengineering Outsourcing Clients**

Sample of 30 outsourcing clients and 60 non-clients. Standard error = 0.2

Source: INPUT

All of the executives interviewed within organisations that have adopted IT outsourcing strongly perceived that information technology is a major contributor to business reengineering initiatives.

The majority, approximately 55%, strongly perceive that information technology is itself an important source of re-engineering initiatives, while only 20% strongly perceive outsourcing to be merely a supporting activity once new business processes have been defined. Again, executives in the U.K. were the most likely to view information technology in a secondary, supporting role.

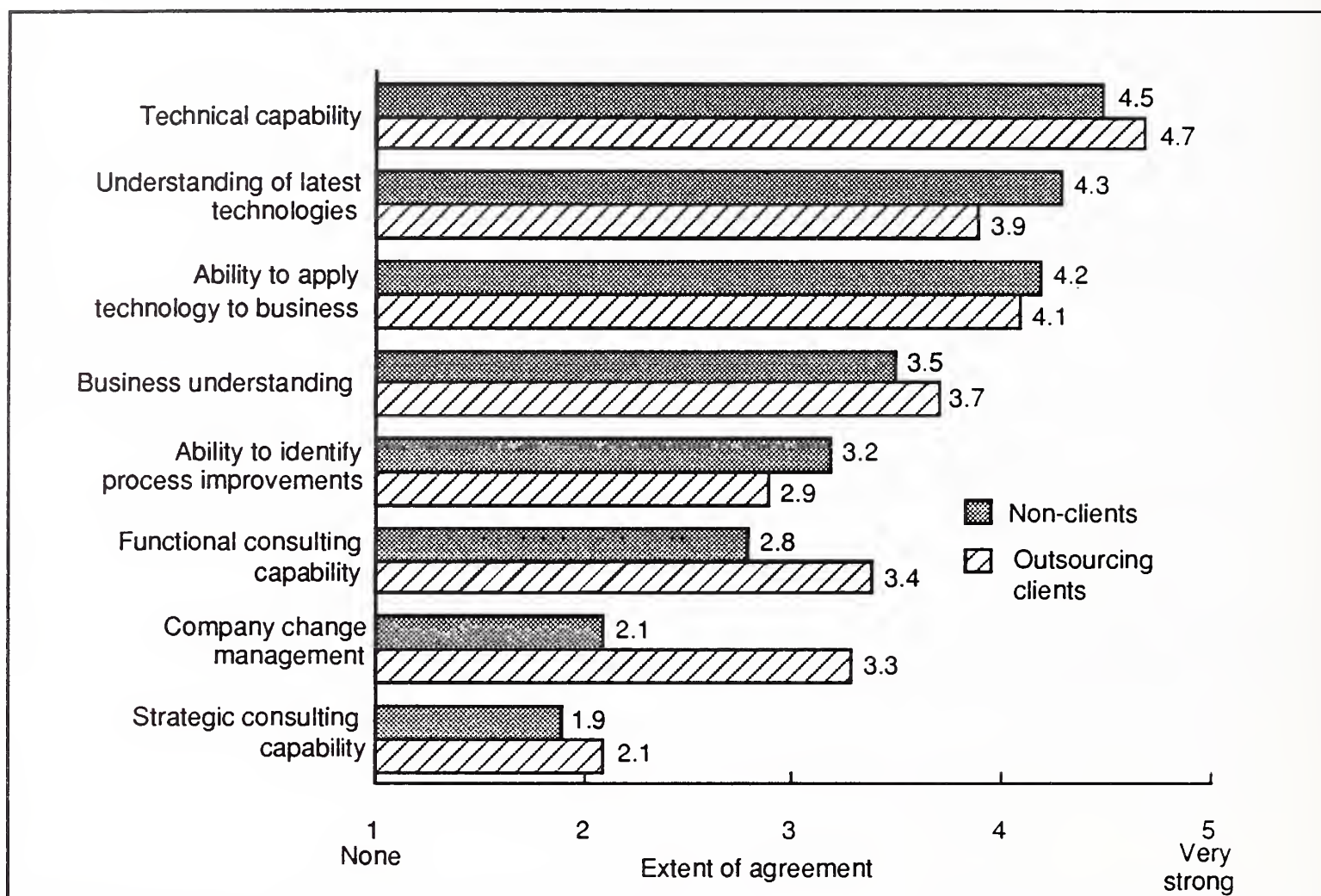
**C****Outsourcing Clients Require Greater Functional Consulting Capability**

Outsourcing clients typically expect a slightly wider skill mix from their IT vendors than executives in organisations that have

not yet adopted IT outsourcing. These differences are shown in Exhibit V-8.

Exhibit V-8

### Vendor Skill Requirements: Outsourcing Clients



Sample of 30 outsourcing clients and 60 non-clients. Standard error = 0.2

Source: INPUT

Executives in organisations that have adopted IT outsourcing exhibit a low requirement for management consulting skills from their IT vendor. However, approximately 20% of executives in these organisations perceived a strong need for management consulting capability within their vendor compared to approximately 10% of executives in organisations yet to adopt IT outsourcing.

The main differences between the two groups are the greater expectations of change management skills and functional consulting capability expressed by executives associated with organisations that have already undertaken IT outsourcing.



Approximately 50% of these executives perceived functional consulting capability to be very important, and 35% indicated that company change management was an important skill within IT vendors.

Exhibit V-9 compares the average perceived level of capability of the organisations' outsourcing vendor against the average importance for each of these characteristics.

Exhibit V-9

### Perceived Capability of Outsourcing Vendors

Skill	Importance	Capability	Difference
Technical capability	4.7	4.4	0.3
Understanding of latest technologies	3.9	3.8	-0.1
Ability to apply technology to business objectives	4.1	3.7	0.4
Business understanding	3.7	3.5	0.2
Ability to identify process improvements	2.9	2.6	0.3
Functional consulting capability	3.4	3.2	0.2
Company change management	3.3	3.8	(0.5)
Strategic consulting capability	2.1	2.6	(0.5)

Sample of 30 outsourcing clients. Standard error = 0.2

Source: INPUT

Overall, there appears to be a good match between user requirements and vendor capabilities. However, two areas that vendors should continue to address are their ability to identify process improvements and their overall techniques for applying technology to business objectives.

Outsourcing vendors are increasingly being expected to take a more pro-active role in business reengineering initiatives and there remains scope for improvement.

Exhibit V-10 compares the importance executives attach to their IT outsourcing vendor possessing the capability to support re-engineering initiatives with the perceived current capability of their outsourcing vendor to do so.



## Exhibit V-10

### Perceived Capability of Outsourcing Vendors to Support Business Reengineering Initiatives

	Importance	Capability	Difference
Europe	4.1	3.4	0.7
France	4.6	3.5	1.1
Germany	3.5	2.5	1.0
U.K.	3.9	3.6	0.3

Sample of 30 outsourcing clients. Standard error = 0.3

Source: INPUT

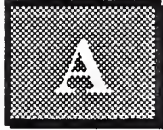
At present, 50% of executives perceive their IT outsourcing vendor to be well qualified to support their business reengineering initiatives compared to 80% of executives who perceive this issue to be important.

The principal areas of concern expressed by the executives interviewed were:

- Vendors' possible lack of flexibility
- The ability of IT vendors to take on business reengineering projects.

Outsourcing vendors, like their in-house IT counterparts, were regarded as being excessively tied to corporate IT policies and operating environments. In addition, concern was expressed that outsourcing contracts could be too long and inflexible, preventing organisations from freely adopting the changes identified within business reengineering exercises.

There are also concerns that the extent to which IT vendors can assist within business reengineering initiatives may be very limited, and that all their business reengineering initiatives will be viewed primarily from an IT, rather than commercial, perspective.



# User Questionnaire

## A. Attitudes to Business Reengineering

a) What is your view of the concept of business reengineering?

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b) What do you perceive to be the potential benefits of business reengineering?

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c) To what extent do you perceive business reengineering to provide each of the following benefits (please rate on a scale of 1-5 where 1= not at all and 5=very beneficial):

Corporate cost reduction \_\_\_\_\_

Creation of new business opportunities \_\_\_\_\_

Improved effectiveness of individual processes \_\_\_\_\_

Improved efficiency of individual processes \_\_\_\_\_

Improved customer service \_\_\_\_\_

- d) At what levels in your organisation do you think business reengineering or business process improvement are most usefully applied?

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- e) How relevant do you perceive business reengineering to be at each of the following organisational levels (please rate on a scale of 1-5 where 1= not at all and 5=very relevant):

Major corporate level initiatives	_____
Individual subsidiary/business unit initiatives	_____
Individual department initiatives	_____
Multi-department initiatives	_____
Across individual business processes	_____
Across multiple business processes	_____

## B. Relevance of IT

- a) What is the role of information technology within business reengineering?

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b) Why?

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c) To what extent do you believe that information technology (please rate on a scale of 1-5, where 1=not at all and 5=very strongly):

Is an important source of re-engineering initiatives \_\_\_\_\_

Makes only a minor contribution to business reengineering initiatives \_\_\_\_\_

Plays only a supporting role once the new processes have been defined \_\_\_\_\_

d) How important is it for your organisation (please rate on a scale of 1-5, where 1=not at all and 5=very important):

To reduce its expenditure on IT \_\_\_\_\_

To aggressively use IT for competitive advantage \_\_\_\_\_

To increase its use of IT \_\_\_\_\_

To increase its effectiveness in applying IT to the business \_\_\_\_\_

e) Do you believe that IT outsourcing has a role to play in assisting your organisation to meet any of these objectives?

Y/N

f) How?

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**C. Role of IT Supplier**

- a) At what stage should your in-house IT department or an external IT vendor become involved in the business reengineering process? Please pick one of the following:

Business strategy identification \_\_\_\_\_

Business process definition \_\_\_\_\_

System specification \_\_\_\_\_

Development and implementation \_\_\_\_\_

Other (please specify) \_\_\_\_\_

- b) How important are each of the following skills within your IT supplier? (Please rate on a scale of 1-5, where 1=not at all important and 5=very important):

Strategic Consulting capability \_\_\_\_\_

Functional consulting capability \_\_\_\_\_

Business understanding \_\_\_\_\_

Technical capability \_\_\_\_\_

Ability to apply technology to business objectives \_\_\_\_\_

Company change management \_\_\_\_\_

Understanding of latest technologies \_\_\_\_\_

Ability to identify process improvements \_\_\_\_\_

- c) How desirable is it for an IT supplier to combine business reengineering skills with technical skills? (Please rate on a scale of 1-5, where 1=not at all and 5=very desirable.)

\_\_\_\_\_

- d) How important is it that your in-house IT department has the capability to support your re-engineering initiatives? (Please rate on a scale of 1-5, where 1=not at all and 5=very important.)

\_\_\_\_\_

- e) How well qualified is your in-house IT department to support your business reengineering initiatives? (Please rate on a scale of 1-5, where 1=not at all and 5=very well.)
- \_\_\_\_\_

- f) What aspects of your in-house IT department's capabilities are you pleased with?

- g) What aspects of their capabilities need to improve in order to better support your re-engineering initiatives?

- h) How capable is your in-house IT department in terms of each of the following: (Please rate on a scale of 1-5, where 1=not at all and 5=very capable.)

Business understanding \_\_\_\_\_

Technical capability \_\_\_\_\_

Ability to apply technology to business objectives \_\_\_\_\_

Company change management \_\_\_\_\_

Understanding of latest technologies \_\_\_\_\_

Identifying process improvements \_\_\_\_\_

Cost-effectiveness \_\_\_\_\_

#### **D. Attitude to Outsourcing**

- a) To what extent do you feel that IT outsourcing is supportive of business reengineering initiatives? (Please rate on a scale of 1-5, where 1=not at all and 5=very strongly.)
- \_\_\_\_\_

- b) Why/why not? .

- c) To what extent do you believe IT outsourcing would assist your organisation in meeting each of the following objectives (please rate on a scale of 1-5, where 1=not at all and 5=very strongly):

To reduce its expenditure on IT \_\_\_\_\_

To aggressively use IT for competitive advantage \_\_\_\_\_

To increase its use of IT \_\_\_\_\_

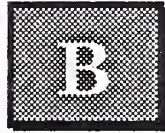
To increase its effectiveness in applying IT to the business \_\_\_\_\_

To achieve business process improvements \_\_\_\_\_

- d) What level of business reengineering capability do you believe each of the following vendors possess? (Please rate on a scale of 1-5, where 1=very low and 5=very high):

UK		France		Germany	
EDS	_____	EDS	_____	EDS	_____
CSC	_____	CSC	_____	CSC	_____
IBM	_____	Axone	_____	IBM	_____
Digital	_____	Digital	_____	Digital	_____
Hoskyns	_____	Cap Gemini Sogeti	_____	debis	_____
ICL	_____	Bull	_____	SNI	_____

**Thank you very much**



# Outsourcing User Questionnaire

## A. Current Use of Outsourcing

- a) Would you please describe the scope of your organisation's IS outsourcing?  
What elements of your IT activities are included?

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- b) Which of the following activities does your company outsource?

The operation and management of computer equipment or data centres

Y / N

The support and maintenance of in-house developed systems

Y/N Vendor \_\_\_\_\_

Systems development of new systems

Y/N Vendor \_\_\_\_\_

Day-to-day management and support of the personal computer infrastructure

Y/N Vendor \_\_\_\_\_

Day-to-day management and support of wide area networks

Y/N Vendor \_\_\_\_\_

Operation of a business process (e.g. accounting)

Y/N Vendor \_\_\_\_\_



**B. Attitudes to Outsourcing**

- a) To what extent do you feel that IT outsourcing is supportive of business reengineering initiatives? (Please rate on a scale of 1-5, where 1=not at all and 5=very strongly.)
- 

- b) Why/why not?
- 
- 

- c) To what extent do you believe IT outsourcing assists your organisation in meeting each of the following objectives (please rate on a scale of 1-5, where 1=not at all and 5=very strongly):

To reduce its expenditure on IT \_\_\_\_\_

To aggressively use IT for competitive advantage \_\_\_\_\_

To increase its use of IT \_\_\_\_\_

To increase its effectiveness in applying IT to the business

---

To achieve business process improvements \_\_\_\_\_

- d) How important are each of the following skills within your outsourcing vendor? (Please rate on a scale of 1-5, where 1=not at all important and 5=very important):

Strategic Consulting capability \_\_\_\_\_

Functional consulting capability \_\_\_\_\_

Business understanding \_\_\_\_\_

Technical capability \_\_\_\_\_

Ability to apply technology to business objectives \_\_\_\_\_

Company change management \_\_\_\_\_

Understanding of latest technologies \_\_\_\_\_

Ability to identify process improvements \_\_\_\_\_

- e) How capable is your outsourcer in terms of each of the following: (Please rate on a scale of 1-5, where 1=not at all and 5=very capable.)

Strategic consulting capability \_\_\_\_\_

Functional consulting capability \_\_\_\_\_

Business understanding \_\_\_\_\_

Technical capability \_\_\_\_\_

Ability to apply technology to business objectives \_\_\_\_\_

Company change management \_\_\_\_\_

Understanding of latest technologies \_\_\_\_\_

Ability to identify process improvements \_\_\_\_\_

**C. Relationship of BPR to Outsourcing**

- a) What is the role of information technology within business reengineering?

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- b) Why?

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- c) To what extent do you believe that information technology (please rate on a scale of 1-5, where 1=not at all and 5=very strongly):

Is an important source of re-engineering initiatives

---

Makes only a minor contribution to business reengineering initiatives

---

Plays only a supporting role once the new processes have been defined

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- d) How important is it for your organisation (please rate on a scale of 1-5, where 1=not at all and 5=very important):

To reduce its expenditure on IT \_\_\_\_\_

To aggressively use IT for competitive advantage \_\_\_\_\_

To increase its use of IT \_\_\_\_\_

To increase its effectiveness in applying IT to the business \_\_\_\_\_

- e) At what stage should your outsourcing vendor become involved in the business reengineering process? Please pick one of the following:

Business strategy identification \_\_\_\_\_

Business process definition \_\_\_\_\_

System specification \_\_\_\_\_

Development and implementation \_\_\_\_\_

Not at all \_\_\_\_\_

Other (please specify) \_\_\_\_\_

- f) How desirable is it for an outsourcing vendor to combine business reengineering skills with technical skills? (Please rate on a scale of 1-5, where 1=not at all and 5=very desirable.)

\_\_\_\_\_

g) How important is it that your outsourcer has the capability to support your re-engineering initiatives? (Please rate on a scale of 1-5, where 1=not at all and 5=very important.)

\_\_\_\_\_

h) How well qualified is your outsourcer to support your business reengineering initiatives? (Please rate on a scale of 1-5, where 1=not at all and 5=very well.)

\_\_\_\_\_

i) What aspects of your outsourcing vendor's ability to support business reengineering initiatives are you pleased with?

\_\_\_\_\_

j) What aspects of their capabilities need to improve in order to better support your re-engineering initiatives?

\_\_\_\_\_

**Thank you very much for your assistance**



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